

This document comprises a prospectus (the “**Document**”) relating to Graft Polymer (UK) Plc (the “**Company**”) prepared in accordance with the Prospectus Regulation Rules of the Financial Conduct Authority (“**FCA**”) made under section 73A of the Financial Services and Markets Act 2000, as amended (“**FSMA**”). This Document has been filed with and approved by the FCA and has been made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules.

This Document has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended. The FCA only approves this Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended; such approval should not be considered as an endorsement of the Company or the quality of the securities that are the subject of this Document. Investors should make their own assessment as to the suitability of investing in the securities.

Application will be made to the FCA in its capacity as competent authority under the FSMA for all of the issued and to be issued ordinary shares of £0.001 each in the capital of the Company to be admitted to the standard segment of the Official List of the FCA (the “**Official List**”) and to trading on the main market for listed securities of London Stock Exchange plc (“**Admission**”). Admission to trading on London Stock Exchange’s main market for listed securities constitutes admission to trading on a regulated market. Immediately prior to Admission, the Company will allot and issue 7,947,786 new Ordinary Shares in accordance with the terms of the Convertible Loan Notes and 2,893,701 new Ordinary Shares pursuant to a capitalisation of accrued fees outstanding as at 30 September 2021 to certain Directors and consultants. On Admission, the Company will allot and issue 23,255,813 new Ordinary Shares pursuant to the Placing (the “**Placing Shares**”) and Subscription (“**Subscription Shares**”). It is expected that Admission will become effective, and that unconditional dealings in the issued and to be issued Ordinary Shares on the London Stock Exchange, will commence at 8.00 a.m. on 6 January 2022.

The Company has established arrangements to enable investors to settle interests in the Ordinary Shares through the CREST system.

The directors of the Company, whose names appear on page 23 of this Document (the “**Directors**”), and the Company accept responsibility for the information contained in this Document. To the best of the knowledge of the Company and the Directors, the information contained in this Document is in accordance with the facts and this Document makes no omission likely to affect its import.

This Document should be read in its entirety. See Part 2 of this Document (*Risk Factors*), for a discussion of certain risks and other factors which could have a material adverse effect on the Company and its subsidiaries (the “**Group**”), and its business, financial condition, cash flow and results of operations. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in this Document occur, investors may find their investment materially and adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

Graft Polymer (UK) Plc

(Incorporated and registered in England and Wales with registered number 10776788)

Placing of 20,930,232 new Ordinary Shares and Subscription for 2,325,581 new Ordinary Shares at 21.5 pence each and admission to the Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange’s Main Market for listed securities

TURNER POPE INVESTMENTS (TPI) LTD

Broker



Turner Pope Investments (TPI) Ltd (“**Turner Pope**”) is authorised and regulated in the UK by the FCA. Turner Pope is acting exclusively for the Company as broker (and not as sponsor) and for no other person in connection with the Placing and will not regard any other person as its client in relation to the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Placing. Turner Pope has not been engaged by the Company as sponsor in connection with Admission and will not be responsible to anyone (including the Company) for providing the protections afforded to its clients for providing advice as sponsor in relation to Admission or any other transaction or arrangement referred to in this Document.

Turner Pope and/or any of its respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for the Company, for which they would have received customary fees. Turner Pope and/or any of its respective affiliates may provide such services to the Company and any of its respective affiliates in the future.

Apart from responsibilities and liabilities which may be imposed on Turner Pope by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Turner Pope accepts no responsibility, and makes no representation or warranty, for the contents of this Document, including its accuracy or completeness, or for any other statement made or purported to be made by it, or on behalf of it, the Company or any other person in connection with the Company or the Ordinary Shares. Accordingly, nothing contained in this Document may be relied upon as any form of promise or representation in this respect. Turner Pope accordingly disclaims any responsibility or liability (save as referred to above) which it may otherwise have in respect of this Document or any such statement.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) (“**US Securities Act**”), or under the securities laws, or with any securities regulatory authority of, any state or other jurisdiction of the United States or of any province or territory of Australia, Canada or Japan. Securities may not be offered or sold in the United States

absent: (i) registration under the US Securities Act; or (ii) an available exemption from registration under the US Securities Act. The Ordinary Shares will only be offered or sold in the United States (or to or for the account or benefit of any person resident in the United States) pursuant to Rule 506(b) of Regulation D ("Regulation D") under the US Securities Act to a limited number of institutional "accredited investors" that satisfy one or more of the criteria set forth in Rule 501(a)(1), (2), (3) or (7) of Regulation D ("Institutional Accredited Investors"). The Ordinary Shares have not been and will not be offered or sold in Australia, Canada or Japan or to or for the account or benefit of any person resident in Australia, Canada or Japan and this Document does not constitute an offer to sell or a solicitation of an offer to purchase or subscribe for Ordinary Shares in such jurisdictions or in any jurisdiction in which such offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company.

The distribution of this Document in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company or the Directors, to permit a public offer or sale of Ordinary Shares or possession or distribution of this Document (or any other offering or publicity material or application form relating to the Ordinary Shares) in any jurisdiction, other than in the UK, and in the United States to Institutional Accredited Investors. Persons into whose possession this Document comes are required by the Company and the Directors to inform themselves about and to observe any such restrictions. This Document does not constitute or form part of an offer to sell, or the solicitation of an offer to buy, Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful.

Application will be made for the issued and to be issued Ordinary Shares to be admitted to the standard segment of the Official List. A Standard Listing affords investors in the Company a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules. For further details please see Part 4 of this Document (*Consequences of a Standard Listing*). It should be noted that the FCA will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules or the Disclosure Guidance and Transparency Rules, nor to impose sanctions in respect of any failure by the Company to so comply.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA or Rule 3.4 of the Prospectus Regulation Rules, the publication of this Document does not create any implication that there has been no change in the affairs of the Group since, or that the information contained herein is correct, at any time subsequent to, the date of this Document.

Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/ EU on markets in financial instruments, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 and as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593, as amended supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Turner Pope will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

Dated 21 December 2021

CONTENTS

		<i>Page</i>
PART 1	SUMMARY INFORMATION	4
PART 2	RISK FACTORS	10
PART 3	PRESENTATION OF FINANCIAL AND OTHER INFORMATION	16
PART 4	CONSEQUENCES OF A STANDARD LISTING	19
PART 5	EXPECTED TIMETABLE OF PRINCIPAL EVENTS	21
PART 6	ADMISSION AND FUNDRAISING STATISTICS	22
PART 7	DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS	23
PART 8	INFORMATION ON THE GROUP	24
PART 9	OPERATING AND FINANCIAL REVIEW	57
PART 10	CAPITALISATION AND INDEBTEDNESS	64
PART 11	ADDITIONAL INFORMATION	65
PART 12	DEFINITIONS	91
PART 13	GLOSSARY OF TECHNICAL TERMS	96
APPENDIX	HISTORICAL FINANCIAL INFORMATION	97
	Part A ACCOUNTANT'S REPORT ON THE AUDITED HISTORICAL FINANCIAL INFORMATION OF THE GROUP	97
	Part B HISTORICAL FINANCIAL INFORMATION - AUDITED	99
	Part C INTERIM HISTORICAL FINANCIAL INFORMATION - UNAUDITED	122

PART 1

SUMMARY INFORMATION

A. INTRODUCTION AND WARNINGS

A.1 Name and international securities identifier number (ISIN) of the securities

Ordinary shares of £0.001 in the capital of the Company; ISIN code GB00BMD1Z199.

A.2 Identity and contact details of the issuer, including its Legal Entity Identifier (LEI)

The issuer is Graft Polymer (UK) Plc. The contact details for the Company are as follows:

Registered Office Address: Eccleston Yards, 25 Eccleston Place, London, United Kingdom, SW1W 9NF

Telephone: 020 4524 9900

Website: www.graftpolymer.com

The LEI number for the Company is 2138005PH7OJRCRPUD88.

A.3 Identity and contact details of the competent authority approving the prospectus

Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN with telephone number: +44 20 7066 1000, in accordance with the Prospectus Regulation.

A.4 Date of approval of the prospectus

This Document was approved on 21 December 2021.

A.5 Warning

This summary should be read as a stand-alone introduction to the Document. Any decision to invest in the Ordinary Shares should be based on consideration of this Document as a whole by the investor. The investor could lose all or part of the invested capital. Where a claim relating to the information contained in this Document is brought before a court, the plaintiff investor might, under the national law, have to bear the costs of translating this Document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Document, or where it does not provide, when read together with the other parts of this Document, key information in order to aid investors when considering whether to invest in the Ordinary Shares.

B. KEY INFORMATION ON THE ISSUER

B.1 Who is the issuer of the securities?

B.1.1 Domicile, legal form, LEI, jurisdiction of incorporation and country of operation

The Company is a public company limited by shares, registered in England & Wales, incorporated as a private limited company on 18 May 2017 as Graft Polymer (UK) Limited. It was re-registered as a public limited company on 1 July 2021. Its LEI is 2138005PH7OJRCRPUD88. The Company is domiciled in the United Kingdom with the registered office of the Company and business address for all of the Directors and the Senior Manager, as at the date of this Document, being Eccleston Yards, 25 Eccleston Place, London, United Kingdom, SW1W 9NF. The principal legislation under which the Company operates is the Companies Act 2006 (as amended).

B.1.2 Principal activities

Graft Polymer is a UK incorporated holding company with an innovative research and manufacturing facility, based in Slovenia. The core business of the Group comprises polymer modification and drug delivery systems developments. Established in 2017, the Group has already introduced more than 50 products to the market. In particular: grafted polymer modifiers; nano-structured and crosslinking polymer alloys; and a variety of delivery vehicles for pharma and bio applications.

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.

In particular, the Group's techniques allow the combination of otherwise incompatible polymers, facilitating the creation of polymer composites engineered at a molecular level, that combine the attractive properties of different input materials. This enables customers to receive synergism of properties in polymer composites.

The solutions and products offered by the Group are designed to improve performance, reduce raw materials consumption and enhance the physical characteristic values of finished products or improve or modify their chemical interaction. In the past several years, there has been increased emphasis by the industry as a whole on applications of grafted polymers, which are produced by monomers being covalently bonded and polymerised as side chains onto the main polymer chain (the backbone).

In 2020, the Group launched a new division named GraftBio, to develop IP for Bio/Pharma applications. This includes a drug delivery system to support and provide solutions to the market, which had been heavily impacted by the COVID-19 pandemic. The GraftBio division intends to obtain HACCP certification for its small-scale production facility. The Group has developed a set of drug delivery platforms that enable it to licence its DDS platform (IP) to MGC in relation to MGC's CimetrA™ and CannEpiL-IL™ products. The Group expects to receive royalty payments resulting from the sale of CimetrA™ and CannEpiL-IL™ products.

B.1.3 Major shareholders

As at the Last Practicable Date, the following persons are directly or indirectly interested in 3 per cent. or more of the Company's capital or voting rights:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
Victor Bolduev	29,500,000	42.14%
Roby Zomer ¹	4,715,947	6.74%
Brett Mitchell and Michelle Mitchell ²	6,988,465	9.98%
Craig Burton ³	10,969,904	15.67%

- Held through Roby Zomer's wholly owned company, Freya Holding Limited and through the company Sputnik Enterprises Limited which is jointly owned by Roby Zomer and Brett Mitchell*
- Held through Brett Mitchell and Michelle Mitchells' wholly owned company, Platypus Assets Pty Ltd and through the company Sputnik Enterprises Limited which is jointly owned by Roby Zomer and Brett Mitchell*
- Held through Craig Burton's wholly owned company, Alba Capital Pty Ltd.*

There are no differences between the voting rights enjoyed by the shareholders described above and those enjoyed by other holders of Ordinary Shares. The Company is not aware of any person who, directly or indirectly, owns or controls the Company. Following Admission, the Concert Party will hold 60.40 per cent. of the share capital of the Company in issue at that time.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

B.1.4 Key executive directors

<i>Name</i>	<i>Age</i>	<i>Position</i>	<i>Appointment</i>
Victor Bolduev	63	Chief Executive Officer and Chief Technical Officer	18 September 2017
Yifat Steuer	50	Executive Director and Chief Financial Officer	21 December 2021
Pavel Kobzev	39	Executive Director and Chief Marketing Officer	25 May 2019

B.1.5 Identity of the statutory auditors

The auditors for the Group are PKF Littlejohn, 5th Floor, 15 Westferry Circus, London E14 4HD, United Kingdom, which is a member of the ICAEW. PKF Littlejohn has audited the Group's accounts for the financial years ended 31 May 2018, 31 May 2019 and 31 May 2020, and the seven months ended 31 December 2020.

B.2 What is the key financial information regarding the issuer?

The selected financial information set out below has been extracted without material adjustment from the audited Historical Financial Information for the three financial years ended 31 May 2018, 31 May 2019 and 31 May 2020 and for the seven months to 31 December 2020¹:

- 1 The selected financial information set out below is rounded to the nearest £1,000.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>7 Mths to 31 Dec 2020 £'000</i>	<i>Year to 31 May 2020 £'000</i>	<i>Year to 31 May 2019 £'000</i>	<i>Year to 31 May 2018 £'000</i>
Continuing operations				
Revenue	403	330	29	–
Cost of sales	(30)	(46)	(13)	–
Gross profit	373	284	16	–
Operational costs	(88)	(240)	(196)	(21)
Administrative expenses	(367)	(396)	(438)	(465)
Operating loss	(82)	(352)	(618)	(486)
Depreciation	(71)	(114)	(69)	(8)
Finance costs	(7)	(72)	(16)	–
Loss before taxation	(160)	(538)	(703)	(494)
Income tax	–	–	–	–
Loss for the year from continuing operations	(160)	(538)	(703)	(494)
Total loss for the year attributable to equity holders of the parent				
Other comprehensive income	–	(1)	–	(10)
Total comprehensive income for the year attributable to equity holders of the parent	(160)	(539)	(703)	(504)
Basic and Diluted Earnings per share - pence	(0.23)	(0.79)	(1.03)	(1.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 Dec 2020 £'000	31 May 2020 £'000	31 May 2019 £'000	31 May 2018 £'000
Non-current assets				
Property, plant and equipment	415	448	510	518
Intangible assets	2,068	2,068	2,068	2,068
Other non-current assets	13	13	13	13
Right of use asset	5	27	64	100
Total non-current assets	2,501	2,556	2,655	2,699
Current assets				
Cash and cash equivalents	209	25	90	339
Trade and other receivables	55	12	17	59
Total current assets	264	37	107	398
TOTAL ASSETS	2,765	2,593	2,762	3,097
Equity attributable to owners of the parent				
Issued share capital	7	7	7	7
Share premium	942	3,442	3,442	3,442
Capital reduction reserve	2,500	–	–	–
Foreign exchange reserve	(11)	(11)	(10)	(10)
Accumulated losses	(1,895)	(1,735)	(1,197)	(494)
Total equity	1,542	1,703	2,242	2,945
Non-current liabilities				
Lease liability	–	–	24	71
Total non-current liabilities	–	–	24	71
Current liabilities				
Borrowings	656	534	343	–
Trade and other payables	541	319	115	50
Lease liability	26	37	38	31
Total current liabilities	1,223	890	396	81
Total liabilities	1,223	890	420	152
TOTAL EQUITY AND LIABILITIES	2,765	2,593	2,762	3,097

CONSOLIDATED STATEMENT OF CASHFLOW

	7 Mths to 31 Dec 2020 £'000	Year to 31 May 2020 £'000	Year to 31 May 2019 £'000	Year to 31 May 2018 £'000
Cash flow from operating activities				
Operating loss – continuing operations	(160)	(538)	(703)	(494)
<i>Adjustments for:</i>				
Depreciation	71	114	69	8
Finance expenses	7	72	16	–
Waiver of interest on convertible loans	(77)	–	–	–
Foreign exchange loss	–	2	16	89
<i>Changes in working capital:</i>				
(Increase) / decrease in trade and other receivables	(43)	8	43	(59)
Increase / (decrease) in trade and other payables	205	150	(1)	43
Net cash inflow/(outflow) from operating activities	1	(192)	(560)	(413)
Cash flow from investing activities				
Purchase of property, plant and equipment	(16)	(8)	(20)	(516)
Net cash outflow from investing activities	(16)	(8)	(20)	(516)
Cash flows from financing activities				
Proceeds from the issue of share capital, net of issue costs	–	–	–	1,332
Proceeds from borrowings	199	128	328	–
Net cash inflow from financing activities	199	128	328	1,332
Net increase / (decrease) in cash and cash equivalents	184	(72)	(252)	403
Cash and cash equivalents at beginning of period	25	90	339	–
Foreign exchange impact on cash	–	7	3	(64)
Cash and cash equivalents at the end of the period	209	25	90	339

The selected financial information set out below has been extracted without material adjustment from the audited Historical Financial Information for the financial period ended 31 December 2020 and the unaudited six-month periods ended 30 June 2020 and 30 June 2021:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>6 Months to 30 Jun 2021 (unaudited) £'000</i>	<i>6 Months to 30 Jun 2020 (unaudited) £'000</i>	<i>7 Mths to 31 Dec 2020 (audited) £'000</i>
Continuing operations			
Revenue	226	205	403
Gross profit	144	169	373
Operating loss	(357)	(128)	(82)
Loss before taxation	(407)	(190)	(160)
Loss for the year from continuing operations	(407)	(190)	(160)
Total loss for the year attributable to equity holders of the parent			
Other comprehensive income	(8)	4	–
Total comprehensive loss for the year attributable to equity holders of the parent	(415)	(186)	(160)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>30 Jun 2021 (unaudited) £'000</i>	<i>31 Dec 2020 (audited) £'000</i>
Non-current assets	2,437	2,501
Current assets	203	264
TOTAL ASSETS	2,640	2,765
Total Equity	1,127	1,542
Non-current liabilities	–	–
Current liabilities	1,513	1,223
Total Liabilities	1,513	1,223
TOTAL EQUITY AND LIABILITIES	2,640	2,765

CONSOLIDATED STATEMENT OF CASHFLOW

	<i>6 Months to 30 Jun 2021 (unaudited) £'000</i>	<i>6 Months to 30 Jun 2020 (unaudited) £'000</i>	<i>7 Mths to 31 Dec 2020 (audited) £'000</i>
Cashflow from operations	(179)	(66)	1
Cashflow from investing activities	–	(4)	(16)
Cashflow from financing activities	134	(32)	199
Net (decrease) / increase in cash and cash equivalents	(45)	(102)	184
Cash and cash equivalents at beginning of the period	209	90	25
Foreign exchange impact on cash	(10)	(33)	–
Cash and cash equivalents at end of the period	154	21	209

B.3 What are the key risks that are specific to the issuer?

- The Group is at an early stage of its operations and there is no guarantee of future growth. The Group has only a limited trading history to date, and investors therefore have a limited basis on which to evaluate the Group's ability to achieve the objectives set out in this document.
- 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 Group's future success is substantially dependent on retaining the Founder.
- The business of the Group may be materially and adversely affected by competition as the development of new products and solutions can take a material amount of time. Competitors with greater capital resources may be able to develop products and solutions at a faster pace than the Group.

C. KEY INFORMATION ON THE SECURITIES**C.1 What are the main features of the securities?****C.1.1 Type, class and ISIN**

When admitted to trading, the Ordinary Shares will be registered with ISIN number GB00BMD1Z199 and SEDOL number BMD1Z19.

C.1.2 Currency, denomination, par value, number of securities issued and duration

On Admission, the issued share capital of the Company will comprise 104,097,299 ordinary shares of £0.001, all of which will be fully paid or credited as fully paid.

C.1.3 Rights attached to the Ordinary Shares

The Ordinary Shares rank equally for voting purposes. On a show of hands, each Shareholder present has one vote and on a poll each Shareholder has one vote per Ordinary Share held. The Ordinary Shares rank equally for dividends declared and for any distributions on a winding-up. The Ordinary Shares rank equally in the right to receive a relative proportion of the Company's assets upon dissolution.

C.1.4 Rank of securities in the issuer's capital structure in the event of insolvency

The Ordinary Shares rank equally for dividends declared and for any distributions on a winding-up.

C.1.5 Restrictions on the free transferability of the securities

The Ordinary Shares are freely transferable and there are no restrictions on transfer. On Admission, Shareholders will be able to hold and transfer interests in Ordinary Shares in CREST.

C.1.6 Dividend or payout policy

The amount, timing and frequency of future distributions will be at the sole discretion of the Board and will be declared based upon various factors, including but not limited to the Group's financial condition and operating cash flows.

C.2 Where will the securities be traded?

Application will be made to the FCA and the London Stock Exchange for all of the issued and to be issued Ordinary Shares to be admitted to the standard segment of the Official List of the FCA and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities only.

C.3 What are the key risks that are specific to the securities?

- An active trading market may not develop or be sustained in the future, which would adversely affect the liquidity and price of the Ordinary Shares.
- Substantial future sales of Ordinary Shares, or the perception that such sales might occur, or additional offerings of Ordinary Shares could depress the market price of Ordinary Shares.
- Volatility or falls in its share price may materially and adversely affect the operations of the Group.
- The Company does not currently intend to pay dividends and its ability to pay dividends in the future may be limited.
- The Company is applying for a Standard Listing and, accordingly, the Company will not be required to comply with those protections applicable to a Premium Listing.

D. KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET**D.1 Under which conditions and timetable can I invest in this security?**

The Fundraising is conditional on Admission occurring and becoming effective by 8 a.m. UK time on or prior to 6 January 2022 (or such later date as may be agreed by Turner Pope and the Company, being no later than 31 January 2022). It is expected that admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange will become effective and that unconditional dealings will commence at 8.00 a.m. (UK time) on 6 January 2022.

The Placing comprises 20,930,232 Ordinary Shares and the Subscription comprises 2,325,581 Ordinary Shares. Participation in the Fundraising is not open to the public. Existing Shareholders will experience a 48.71 per cent. dilution as a result of (a) the issue of 7,947,786 new Ordinary Shares following the conversion of the Convertible Loan Notes and the issue of 2,893,701 new Ordinary Shares pursuant to a capitalisation of the Accrued Fees, in each case immediately prior to Admission; and (b) the issue of the Placing Shares and the Subscription Shares on Admission (that is, an Existing Shareholder's proportionate interest in the Company will decrease by 48.71 per cent.). The Company will bear approximately £850,000 of fees and expenses in connection with the Fundraising and Admission. The rights attaching to the new Ordinary Shares will be uniform in all respects and all the Ordinary Shares will form a single class for all purposes.

D.2 Why is this prospectus being produced?

This Document has been prepared in connection with the application for admission of the issued and to be issued Ordinary Shares to the standard segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. Following consultation with its advisers, the Directors have chosen a Standard Listing as they believe that a listing on the Main Market, will enable the Company to:

- Access investors and raise funds for the development of the Group.
- Provide the flexibility to raise capital for future corporate acquisitions and/or to use the Company's quoted securities as consideration for such acquisitions.
- Provide the ability to incentivise key employees through the issue of share options.
- Raise the profile of the Group among investors and give confidence to customers, suppliers and regulatory authorities.

The Company will receive net proceeds (after deducting estimated commissions and other fees and expenses (including VAT)) from the Fundraising of approximately £4.15 million. The Company intends to use the net proceeds of the Fundraising as follows, with further details set out below:

<i>Use of net proceeds</i>	<i>Amount of net proceeds (£)</i>
Additional production line and further expansion	2,000,000
Investments relating to HACCP and GMP certification	600,000
Lab upgrades and research and development costs and future IP registration	700,000
Sales and marketing and general corporate purposes	850,000

- 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.

PART 2

RISK FACTORS

The Company's business, financial condition or results of operations could be materially and adversely affected by the risks described below. In such cases, the market price of the Ordinary Shares may decline due to any of these risks and investors may lose all or part of their investment. The Company considers the following risks to be the material risks for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company.

Any investment in the Ordinary Shares may not be suitable for all recipients of this Document and is subject to a high degree of risk. Prior to investing in the Ordinary Shares, prospective investors should carefully consider the risks and uncertainties associated with any investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this Document, including, in particular, the risk factors described below. Any of the risks described below, as well as other risks and uncertainties discussed in this Document, could have a material adverse effect on the Group's business and could therefore have a negative effect on the trading price of the Ordinary Shares. Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in Part 1 of this Document (*Summary*) are the risks that the Group believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part 1 of this Document (*Summary*), but also, among other things, the risks and uncertainties described below.

The following factors are not exhaustive, or an explanation of all of the risk factors involved in investing in the Ordinary Shares and should be used as guidance only. The factors listed under a single heading may not provide a comprehensive view of all risks relevant to the subject to which the heading relates. Additional risks and uncertainties that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have an adverse effect on the Group's business, results of operations, financial condition and prospects. In particular, the Group's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements. If such changes were to occur the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Prospective investors should also consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

RISKS RELATING TO THE GROUP AND ITS BUSINESS

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.

Dependence on and the Founder and the ability to recruit and retain skilled personnel

The inception and progress of the Group to date has been in large due to the experience of the Founder. The Group's future success is substantially dependent on retaining the Founder and its ability to attract and retain skilled personnel who have experience of the polymer industry.

The loss of the Founder from the Group's business may have a materially adverse effect upon the Group's business and results of operations as it is reliant on his know-how and expertise in the polymer modification field.

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.

Key system failure, disruption or interruption may negatively impact the business or long-term growth strategy of the Group

The ability of the Group to operate effectively and implement its long-term growth strategy will require the Group to maintain effective systems and operational procedures. Should the Group's systems or production facilities be subject to failure, disruption, or interruption, either due to factors within the Group, such as

changes in manufacturing processes and procedures, changes in personnel, or changes due to external factors which impact the Group, such as the availability of raw materials, the ability of the Group to continue production at a satisfactory level, or at all, may be materiality and adversely affected which could have a significant effect on the business, financial condition or prospectus 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.

Exchange rate risk

The Group is likely to be exposed to exchange rate fluctuations as its operations are undertaken in Euros but its products are sold globally. Changes in foreign currency exchange rates may affect the Group's pricing of products sold and materials purchased in foreign currencies. The Board will, where appropriate, consider using certain derivative financial instruments, including foreign currency forward contracts used to hedge sale commitments denominated in foreign currencies, to reduce the Group's exposure to this risk.

Taxation risk

There is a risk that amounts paid or received under the Group's intra-group arrangements in the past and/or in the future could be deemed for tax purposes to be lower or higher, as the case may be, or be disregarded for the purposes of calculating tax, which may increase the Group's taxable income or decrease the amount of relief available to the Group with a consequential negative effect on its financial position.

Certain Shareholders are in a Concert Party

Under paragraph (9) of the definition of “acting in concert” in the Takeover Code, it is presumed (unless the contrary can be established) that a concert party arises in relation to shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, or who, following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the Takeover Code applies. In consultation with the Takeover Panel it has been agreed that each of Tim Wise, Craig Burton, Victor Bolduev, Roby Zomer, Yifat Steuer, Pavel Kobzev, Alex Brooks, Anthony Eastman, Brett Mitchell, William and Diane Mitchell and Michelle Mitchell who, together, will hold on Admission 60.40 per cent. Ordinary Shares carrying 60.40 per cent. of the voting rights of the Company, are presumed to be acting in concert in relation to the Company. When members of a concert party hold shares carrying more than 50 per cent. of the voting rights in a company, no obligations under Rule 9 of the Takeover Code normally arise from acquisitions of further interests in shares by any member of the concert party. Members of the Concert Party may accordingly increase their aggregate interests in Ordinary Shares without incurring any obligation under Rule 9 of the Takeover Code to make a general offer, although individual members of the Concert Party will not be able to increase their percentage interests in Ordinary Shares through or between a Rule 9 threshold without consent of the Takeover Panel. There is no relationship agreement in place between the Company and any member of the Concert Party.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

Due to the nature of its operations, the Group is exposed to health, safety and environmental risks

The Group's operations involve industrial manufacturing and are subject to numerous health, safety and environmental (HSE) requirements in the jurisdictions in which the Group conducts its business. Such HSE laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management and the use, composition, handling, distribution and transportation of hazardous materials.

Many HSE laws and regulations are becoming increasingly stringent (and may impose strict liability) and the cost of compliance with these requirements can be expected to increase over time. Although the Board believes that the Group's procedures comply with applicable regulations, any failure to comply with HSE laws and regulations could result in the Group incurring costs and/or liabilities, including as a result of regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Group's results of operations and financial condition.

Accidents or mishandling involving hazardous substances could cause severe or critical damage or injury to property and human health. Such an event could result in civil lawsuits and/or regulator enforcement proceedings, both of which could lead to significant liabilities.

Any damage to persons, equipment or property or other disruption of the Group's business could result in significant additional costs to replace, repair and insure the Group's assets, which could negatively affect the Group's business, prospects, operating results and financial condition.

The Group cannot predict the impact of new or changed HSE laws or regulations or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced.

RISKS RELATING TO ORDINARY SHARES

An active trading market may not develop or be sustained in the future

Although the Company has applied to the FCA for admission of its Ordinary Shares to the Official List and has applied to the London Stock Exchange for admission to trading on the Main Market, the Company can give no assurance that an active trading market for the Ordinary Shares will develop in the United Kingdom or, if developed, can be sustained. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

Substantial future sales of Ordinary Shares, or the perception that such sales might occur, or additional offerings of Ordinary Shares, could depress the market price of Ordinary Shares

The Company cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, or the offer of additional Ordinary Shares in the future, will have on the market price of Ordinary Shares. Sales or an additional offering of substantial numbers of Ordinary Shares in the public market, or the perception or any announcement that such sales or an additional offering could occur, could adversely affect the market price of Ordinary Shares and may make it more difficult for Shareholders to sell their Ordinary Shares at a time and price which they deem appropriate.

Volatility or falls in its share price may materially and adversely affect the operations of the Group

As a company with its securities admitted to trading on a public securities exchange, the price at which its shares are trading may be subject to volatility or a material decrease in value, either as a result of the performance of the Group, rumour or speculation in the market, or due to general or specific factors affecting the performance of capital markets or the United Kingdom or global economies generally. Some of these factors may be outside the control of the Company. Volatility or a material decrease in the price or trading volume of the Company's shares may make it more difficult for the Company to attract future capital or result in suppliers, partners or customers losing confidence in the operations or future of the Group, if this were to continue for a period of time the business, operations or financial condition of the Group could be materially and adversely affected.

The Company does not currently intend to pay dividends and its ability to pay dividends in the future may be limited

No dividends have been paid or declared for payment since the incorporation of the Company and at present, the Directors' intention is that all profits generated by the operations of the Group will be reinvested for future growth and development. Therefore, at present, there is no intention to pay dividends and a dividend may never be paid. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, the Group's results of operations, financial condition and solvency and distributable reserves tests imposed by corporate law and such other factors that the Board may consider relevant. As a result, purchasers of the Ordinary Shares may not receive any return on an investment in the Ordinary Shares unless they sell such Ordinary Shares for a price greater than that which they paid for them.

The Company is applying for a Standard Listing and, accordingly, the Company will not be required to comply with those protections applicable to a Premium Listing

The Company is seeking a Standard Listing and, as a consequence, additional on-going requirements and shareholder protections applicable to a Premium Listing will not apply to the Company. Shareholders will therefore be afforded a lower level of regulatory protection than if the Company had applied for a Premium Listing. In particular, the provisions of Chapters 6 to 13 of the Listing Rules (other than Rule 7.2.1), being additional requirements for a Premium Listing of equity securities (Premium Listing principles, sponsors, continuing obligations, significant transactions, related party transactions, dealing in own securities and treasury shares and contents of circulars), will not apply. In addition, a Standard Listing will not permit the Company to gain UK FTSE indexation. The fact that the Company is applying for a Standard Listing may mean that the Ordinary Shares are less liquid than if a Premium Listing had been applied for.

Trading in the Ordinary Shares may be suspended

From Admission, the Ordinary Shares will be traded on the London Stock Exchange. The London Stock Exchange reserves the right to suspend trading in the Ordinary Shares. If the Ordinary Shares are suspended from trading, the holders of Ordinary Shares may not be able to dispose of their Ordinary Shares on the London Stock Exchange.

The FCA may suspend the Ordinary Shares from trading on the London Stock Exchange if it determines that the smooth operation of the market is or may be temporarily jeopardised or it is necessary to protect investors.

The Company believes that as at the date of this Document there are no circumstances which could provide grounds for the halting or suspending of the Ordinary Shares from the London Stock Exchange. However, there can be no assurance that any such circumstances will not arise in relation to the Ordinary Shares in the future.

The Ordinary Shares may become delisted

In certain circumstances, the Ordinary Shares may be delisted from the London Stock Exchange. Delisting could have a material and adverse effect on the liquidity of the Ordinary Shares and on investors' ability to sell the Ordinary Shares at a satisfactory price.

The Company believes that as at the date of this Document there are no circumstances which could provide grounds for the delisting of the Ordinary Shares from the London Stock Exchange. There can however be no assurance that any such circumstances will not arise in relation to the Ordinary Shares in the future.

The FCA may cancel the listing of the Ordinary Shares on the London Stock Exchange if satisfied that there are special circumstances precluding the normal and regular dealings in the Ordinary Shares.

The listing of the Ordinary Shares on the London Stock Exchange may also be cancelled at the request of the Company, subject to the Company giving at least 20 business days' notice of the proposed cancellation of the listing.

Because the Company is seeking a Standard Listing, it would not be required to seek Shareholder approval before seeking the cancellation of the listing of the Ordinary Shares.

The Company is relying on transitional arrangements in relation to market capitalisation and may not be able to maintain its listing on the Official List in the event of a reverse takeover

On 2 December 2021, the FCA published 'PS21/22: Primary Market Effectiveness Review: Feedback and final changes to the Listing Rules' ("PS21/22"), which confirmed an increase to the minimum market capitalisation ("MMC") threshold for both the premium and standard listing segments of the Official List for shares in ordinary commercial companies from £700,000 to £30 million. The expected market capitalisation of the Company on Admission is £22.4 million, which is below the increased MMC of £30 million. As described in PS21/22 there are transitional arrangements for certain companies and new applicants. Because the Company made a completed submission to the FCA for a listing eligibility review prior to 4.00 p.m. on 2 December 2021 to apply for listing based on the MMC of £700,000, and intends to apply to list by 2 June 2023 (ie within 18 months of the date the new rules apply), the transitional arrangements apply to the Company and therefore the Company expects to be eligible to admit its Ordinary Shares to the Official List based on the MMC of £700,000. In the event of substantive inactivity in connection with Admission for a period of three months, the FCA's approach would be to lapse the case after which any further submission would be subject to an application for listing based on the MMC of £30 million, and if the Company did not have a market capitalisation of at least £30 million on the proposed new date of admission, its Ordinary Shares would not be eligible for admission to the Official List. In any event, if Admission does not take place by 2 June 2023, the transitional arrangements would no longer apply to it.

In the event that the Company were to undertake a reverse takeover ("RTO") following Admission, but the enlarged group following completion of the RTO did not have an MMC of at least £30 million, the enlarged group would not be eligible for admission to the Official List following the cancellation of admission of the Company's Ordinary Shares to the Official List on completion of the RTO. Although no such RTO is currently anticipated by the Directors, the ability of the Company to maintain a listing on the Official List following completion of any such RTO cannot be guaranteed.

PART 3

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This Document comprises a prospectus for the purpose of Article 6 of the Prospectus Regulation and is issued in compliance with the Listing Rules. Investors should only rely on the information in this Document. No person has been authorised to give any information or to make any representations in connection with Admission, other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company or the Directors. The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding the Company. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication other than this Document.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to FSMA, the delivery of this Document shall not under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Document, or that the information contained herein is correct as of any time subsequent to its date.

The contents of this Document or any subsequent communications from the Company, the Group or any of its or their respective affiliates, officers, advisers, Directors, employees or agents, are not to be construed as legal, business or tax advice. Each prospective investor should consult its, his or her own lawyer, financial intermediary or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must rely on its, his or her own examination, analysis and enquiry of the Company, including the merits and risks involved.

This Document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company or the Directors or any of their representatives that any recipient of this Document should subscribe for or purchase Ordinary Shares. Prior to making any decision as to whether to subscribe for or purchase Ordinary Shares, prospective investors should read this Document. Investors should ensure that they read the whole of this Document carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Document, including the risks involved.

1. Presentation of financial information

The financial information presented in this Document includes audited financial statements for the financial years ended 31 May 2018, 31 May 2019 and 31 May 2020 and the seven months ended 31 December 2020. The audited annual financial statements for the Company have been prepared in accordance with International Accounting Standards in conformity with the Companies Act.

2. Currencies

In this Document, references to “**Great British Pounds**”, “**GBP**”, “**pounds sterling**”, “**£**”, “**pence**”, “**GBX**” or “**p**” are to the lawful currency of the UK. The basis of translation of any foreign currency transactions and amounts are set out in the financial information in the Appendix to this Document (Historical Financial Information).

3. Rounding

Percentages and certain amounts in this Document, including financial, statistical and operating information, have been rounded to the nearest whole number or single decimal place for ease of presentation. As a result, the figures shown as totals may not be the precise sum of the figures that precede them. In addition, certain percentages and amounts contained in this Document reflect calculations based on the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages or amounts that would be derived if the relevant calculations were based upon the rounded numbers.

4. Third-party information

The Company confirms that all third-party information contained in this Document has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third party information has been used in this Document, the source of such information has also been identified.

5. Forward-looking statements

Forward-looking statements and forward-looking information

This Document contains “forward-looking statements” and “forward-looking information” that are based on the Company’s expectations, estimates and projections as of the date on which the statements were made. This forward-looking information includes, among other things, statements with respect to the Company’s business strategy with respect to the operations, plan, development, objectives, performance, outlook, growth, cash flow, projections, targets and expectation. Generally, this forward looking information can be identified by the use of forward-looking terminology such as “**outlook**”, “**anticipate**”, “**project**”, “**target**”, “**likely**”, “**believe**”, “**estimate**”, “**expect**”, “**intend**”, “**may**”, “**would**”, “**could**”, “**should**”, “**scheduled**”, “**will**”, “**plan**”, “**forecast**”, “**evolve**” and similar expressions. Persons reading this Document are cautioned that such statements are only predictions, and that the Company’s actual future results or performance may be materially different.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. These statements speak only as of the date of this Document and do not seek in any way to qualify the working capital statement given by the Company at paragraph 20 of Part 11 of this Document (*Information on the Group*). Actual operational and financial results or events may differ materially from the Company’s expectations contained in the forward-looking statements as a result of various factors, many of which are beyond the control of the Company.

The forward-looking statements contained in this Document are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.

Forward-looking statements involve significant known and unknown risks and uncertainties. Forward-looking statements are based on a number of factors and assumptions which have been used to develop such statements, but which may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct.

Investors are cautioned that forward-looking statements are not guarantees of future performance. The Company makes no representation, warranty or prediction that the results predicted by such forward-looking statements will be achieved and these forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this Document speak only as at the date of this Document, reflect the Group’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and the availability of new credit. Investors should specifically consider the factors identified in this Document that could cause actual results to differ. All of the forward-looking statements made in this Document are qualified by these cautionary statements.

Subject to the requirements of the Prospectus Regulation, the DTR and the Listing Rules, or applicable law, the Company explicitly disclaims any intention or obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Document that may occur due to any change in the Group’s expectations or to reflect events or circumstances after the date of it. The information in this Document will be updated as required by the Prospectus Regulation Rules, Listing Rules and the DTR, as appropriate.

6. No incorporation of website

Save for the documents noted as being available for inspection in paragraph 23 of Part 11 of this Document (*Additional Information*), the contents of the Company's website, any website mentioned in this Document or any website directly or indirectly linked to these websites have not been verified and do not form part of this Document and investors should not rely on such information.

7. Definitions

A list of defined terms used in this Document is set out in Part 12 of this Document (*Definitions*).

References to the singular in this Document shall include the plural and vice versa, where the context so requires. References to sections or Parts are to sections or Parts of this Document. All references to time in this Document are to London time unless otherwise stated.

PART 4

CONSEQUENCES OF A STANDARD LISTING

After careful consideration, the Directors have concluded that in order to promote liquidity in the Ordinary Shares through a public listing on the London Stock Exchange while allowing a sufficient degree of flexibility for a company of its size and type, it is appropriate for the Ordinary Shares to be admitted to listing on the standard segment of the Official List. In particular, the following are key considerations for the Company's proposed Standard Listing:

- a Standard Listing as compared to a Premium Listing will generally facilitate more cost-efficient administration. In this regard, the Company wishes to align its regulatory responsibilities and the associated cost consequences with the Company's size;
- the proposed Standard Listing of the Company will mean that the Company will not be required to comply with the super-equivalent provisions of the Listing Rules that apply to companies with a Premium Listing, which will have a direct cost saving for the Company; and
- the Listing Rules for securities with a Standard Listing are far less demanding and stringent than those applicable to securities with a Premium Listing.

A Standard Listing affords Shareholders and investors in the Company a lower level of regulatory protection than that afforded to investors in companies whose securities are admitted to the premium segment of the Official List, which are subject to additional obligations under the Listing Rules.

It should be noted that the FCA will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules or any of the DTR which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company to so comply.

Application will be made for the issued and to be issued Ordinary Shares to be admitted to listing on the standard segment of the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings and does not require the Company to comply with, among other things, the provisions of Chapters 6 to 13 of the Listing Rules (excluding Listing Principles 1 and 2). As a result, the Company's securities will not be eligible for inclusion in the UK series of the FTSE indices.

1. Listing Rules which are not applicable to a Standard Listing

The following Listing Rules are not applicable to a Standard Listing:

- Chapter 6 of the Listing Rules regarding, among other things, the content of the Historical Financial Information, provisions pertaining to, control of the business, working capital, constitutional arrangements of the Company;
- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. In particular, the Company is not required to appoint a sponsor in relation to the publication of this Document or Admission;
- Chapter 9 of the Listing Rules relating to further issues of shares, issuing shares at a discount in excess of 10 per cent. of market value, notifications and contents of financial information;
- Chapter 10 of the Listing Rules relating to significant transactions which requires Shareholder consent for certain acquisitions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by the Company of its Ordinary Shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

2. Listing Rules with which the Company must comply under a Standard Listing

There are, however, a number of principles and continuing obligations set out in Chapter 7 and Chapter 14, respectively, of the Listing Rules that will be applicable to the Company. These include requirements as to:

Chapter 7 – Listing Principles

- the taking of reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations; and
- the dealing with the FCA in an open and co-operative manner.

Chapter 14 – Continuing Obligations

- the forwarding of circulars and other documentation to the FCA for publication through the document viewing facility and related notification to a regulatory information service;
- the provision of contact details of appropriate persons nominated to act as a first point of contact with the FCA in relation to compliance with the Listing Rules and the DTR;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- the making of regulatory information service notifications in relation to a range of debt and equity capital issues; and
- at least 25 per cent. of the Ordinary Shares being held in public hands.

In addition, as a company whose securities are admitted to trading on a regulated market, the Company will be required to comply with the DTR.

3. Disclosure Guidance and Transparency Rules

Rule 5

Under Rule 5 of the DTR (Vote Holder and Issuer Notification Rules) (“**DTR5**”), a person must notify the Company and the FCA of the percentage of the Company’s voting rights he or she holds as a Shareholder (or holds or is deemed to hold through his or her direct or indirect holding of financial instruments) if, as a result of an acquisition or disposal of Ordinary Shares or financial instruments, or as a result of any event changing the breakdown of voting rights of the Company (for example, a buy-back of Ordinary Shares by the Company), the percentage of those voting rights in which he is interested reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent.

The form in which such notification must be made is provided by the FCA on its website at: <https://www.fca.org.uk/markets/ukla/regulatory-disclosures/submit-investor-notification>

Such notification must be made no later than two trading days after the date upon which the person making the notification: (i) learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regards to the circumstances, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect; or (ii) is informed about the event changing the breakdown of voting rights of the Company.

Any person who is in breach of their obligations under DTR5 is liable to a fine and/or public censure by the FCA and the FCA may apply to court to have such person’s voting rights suspended.

Rule 7

The Company is required to comply with its obligations under Rule 7 of the DTR in relation to Corporate Governance, including the obligation in Rule 7.3 of the DTR (Related party transactions) which requires the announcement and board approval of transactions with a related party which are not in the ordinary course of business and on normal market terms where any percentage ratio is 5 per cent. or more according to any of the profits, assets, market capitalisation or gross capital tests, as such tests are set out in Annex 1 to Rule 7 of the DTR.

PART 5**EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Publication of this Document	21 December 2021
Admission becoming effective and commencement of dealings in the Ordinary Shares	6 January 2022
CREST accounts credited, where applicable	6 January 2022
Dispatch of definitive share certificates, where applicable	14 days from Admission

References to times and dates in the timetable above are to London time unless otherwise stated. Each of the times and dates in the above timetable is subject to change at the absolute discretion of the Company and Turner Pope without notice.

PART 6**ADMISSION AND FUNDRAISING STATISTICS**

Number of Existing Ordinary Shares	70,000,000
Issue Price	21.5 pence
Number of Placing Shares	20,930,232
Number of Subscription Shares	2,325,581
Number of Ordinary Shares in issue at Admission ¹	104,097,299
Percentage of Enlarged Share Capital at Admission represented by Ordinary Shares issued pursuant to the Convertible Loan Notes, and the capitalisation of the Accrued Fees, immediately prior to Admission	13.41%
Percentage of Enlarged Share Capital at Admission represented by the Placing Shares and Subscription Shares	22.34%
Dilution of Existing Shareholders as a result of (a) the issue of Ordinary Shares immediately prior to Admission pursuant to the conversion of the Convertible Loan Notes and the capitalisation of the Accrued Fees; and (b) the issue of the Placing Shares and Subscription Shares on Admission	48.71%
Estimated market capitalisation of the Company, based on the Issue Price, at Admission	£22.4 million
Estimated gross proceeds of the Fundraising	£5 million
Estimated net proceeds of the Fundraising (receivable by the Company) ²	£4.15 million
Number of Warrants in issue at Admission	2,031,008
Number of Options over Ordinary Shares in issue at Admission	11,173,611
Enlarged issued share capital on a fully diluted basis (including Warrants and Options in issue)	117,301,918
TIDM	GPL
ISIN	GB00BMD1Z199
LEI number	2138005PH7OJRCPUD88
SEDOL	BMD1Z19

(1) This includes the conversion of the Convertible Loan Notes and the capitalisation of the Accrued Fees immediately prior to Admission into 10,841,486 Ordinary Shares as well as the issue of the Placing Shares and Subscription Shares.

(2) Net proceeds receivable by the Company are stated after deducting the total expenses of the Fundraising and Admission of approximately £4.15 million.

PART 7**DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS**

Directors	Roby Zomer (<i>Non-Executive Chairman</i>) Victor Bolduev (<i>Chief Executive Officer and Chief Technical Officer</i>) Yifat Steuer (<i>Chief Financial Officer</i>) Pavel Kobzev (<i>Chief Marketing Officer</i>) Alex Brooks (<i>Independent Non-Executive Director</i>)
Company Secretary	Anthony Eastman
Registered Office of the Company	Eccleston Yards 25 Eccleston Place London SW1W 9NF United Kingdom
Broker to the Company	Turner Pope Investments (TPI) Ltd 8 Fredrick's Place London EC2R 8AB United Kingdom
English Legal Advisers to the Company	RBG Legal Services Limited, trading as Memery Crystal 165 Fleet Street London EC4A 2DY United Kingdom
Slovenian Legal Advisers to the Group	Selih & Partnerji Komenskega ulica 36 1000 Ljubljana Slovenia
Auditors to the Company	PKF Littlejohn LLP 5 th Floor 15 Westferry Circus London E14 4HD United Kingdom
Reporting Accountants	PKF Littlejohn LLP 5 th Floor 15 Westferry Circus London E14 4HD United Kingdom
Registrar	Share Registrars The Courtyard 17 West Street Farnham GU9 7DR United Kingdom

PART 8

INFORMATION ON THE GROUP

1. INTRODUCTION

Graft Polymer is a UK incorporated holding company with an innovative research and manufacturing facility based in Slovenia. The core business of the Group comprises polymer modification and drug delivery systems developments. Founded in 2017, the Company is incorporated in England and Wales with a head office in London, United Kingdom and has already introduced more than 50 products to the Market; in particular: grafted polymer modifiers; nano-structured and crosslinking polymer alloys; and a variety of delivery vehicles for pharma and bio applications.



Figure 1: Location of the Company's operations

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. 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.

In particular, the Group's techniques allow the combination of otherwise incompatible polymers, facilitating the creation of polymer composites engineered at a molecular level, that combine the attractive properties of different input materials. This enables customers to receive synergism of properties in polymer composites. Technology facilitates the improvements of the recycling material (scrap) properties, thus helping to solve the problem of effective scrap recycling and environmental protection.

The solutions and products offered by the Group are designed to improve performance and the Group prides itself on its eco credentials. The Group uses clean scrap raw materials purchased from one of the largest recycling collectors in the EU during the production of its "ECO LINE" modifiers.

Modern processing techniques are used during the production of modified polymers to minimise waste almost to zero. Instead of using toxic raw materials, the Group only uses REACH and ROHS certificated raw materials. Production of specialised recycling polymer additives increases the strength of recycled blends and plastic products for plastic waste. The Group's proprietary co-agents and redox initiating system are used during the grafting process, which improves efficiency, reducing by between 40 and 50 per cent. the work required to be used by the compounder as compared to systems used for analogous, low graft products available on the market.

The Group's motto is "combine the incompatible" which reveals the essence of the Group's business, being the use of a diverse range of modification technologies to combine immiscible and incompatible components in polymer composites. Polymer modification is the key to creating cutting-edge polymer composite materials.

The Group provides its customers with three main types of modification solutions, as follows:

- Graft/Block copolymers used as compatibilizers to combine various immiscible components (polymers, fillers) allowing the creation of high quality polymeric composite materials for multiply applications;
- Polymeric Nano-Structured Alloys used to modify virgin polymers or as stand-alone compounds; and
- Crosslinking Masterbatches or Alloys used to modify virgin polymers or as stand-alone compounds.

The products offered by the Group fall into the following categories:

- Standard products – these are products that the consumer market is familiar with, for use in the most developed polymer sectors such as Polypropylene-based composites (which account for approximately 70 per cent. of the polymer market) and Polyamide-based composites (which account for approximately 20 per cent. of polymer market), as well as other composites (including styrene, polyesters and peroxide masterbatches). These products are available on demand and are distributed via the Group's distribution networks;
- Custom-made products – these are 'standard' products with slight modifications made to satisfy specific requests from customers. The Group works directly with its customers to enhance their existing products, or produce new products that complement their product range; and
- Innovative products – these products are usually the result of the Group's R&D projects. Research and development of these products is either initiated by the Group based on its market research, or as a result of a specific brief from a customer.

In late 2018, the Group began its first commercial sales to various polymer compounders in the automotive, packaging, construction, consumer products, clothing, aerospace, healthcare and medical markets.

A summary of the Group's sales revenue by country for the financial year ending 31 May 2020, and the seven months to 31 December 2020, is set out in the table below:

	<i>7 Mths to 31 Dec 2020 (£'000)</i>	<i>Year to 31 May 2020 (£'000)</i>
Slovenia	206	191
Slovakia	33	71
Russia	23	7
Italy	–	15
Other	44	46
Sales Revenue	306	322
Other revenue	97	8
Total revenue	403	330

In 2020, the Group launched a new division named GraftBio, to develop IP for Bio/Pharma applications. This included a drug delivery system to support and provide solutions to the market, which had been heavily impacted by the COVID-19 pandemic. The GraftBio division is in the process of obtaining HACCP certification for its small scale production facility. The Group has developed a set of drug delivery platforms and has licensed its DDS platform (IP) to MGC in relation to MGC's CimetrA™ and CannEpiL-IL™ products. The Group expects to receive royalty payments resulting from the sale of CimetrA™ and CannEpiL-IL™ products.

To date, the Company's initial GraftBio division customers have achieved positive results from several of their own products that are based on the Group's DDS IP. The GraftBio division focusses on the development and licensing/sale of IP for various platforms relating to the wellness (food and cosmetics) and pharma industries, and in particular specialises in the development of chemical submicron self-emulsification delivery systems for plant-derived bio and pharmaceutical active substances.

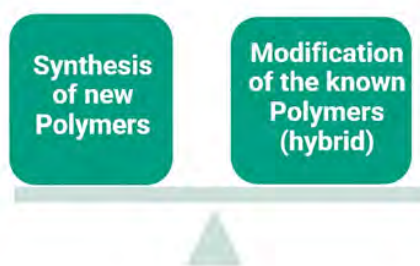
Over the next 12 to 24 months, the Group's strategy consists of the following:

- investment in production equipment 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;
- having applied for five patents in 2021 so far, applying for further patents and extending the reach of its existing patents by applying for their registration in other jurisdictions;
- expansion of the Group's distribution network to allow it to broaden the reach of its product distribution, to enhance its position internationally in the core polymer modifier market;
- entry into collaborations with refiners (large enterprises that produce virgin polymers as commodities), compounders (which produce composites, mixtures of virgin polymers, modifiers, and/or fillers) and processors (which produce, for instance, film and pipes) for mutual development and production of grafted products, to help satisfy increasing demand on major international companies for new and enhanced products, with a particular focus on automotive projects; and
- investment in a food grade GMP plant and R&D laboratories in Slovenia to allow for the expansion of the Group's GraftBio division. The GMP plant and laboratories will allow the Group to further develop these platforms based on customers' specifications.

The Group's strategy is based on certain key assumptions and subject to the sensitivities set out in detail in paragraph 12 of below of this Part 8 (*Information on the Group*).

2. THE POLYMER INDUSTRY & GLOBAL CHALLENGES

An increase in global demand for polymer materials, driven by costs, improved performance and environmental advantages, could be satisfied by two solutions:



Market challenges in the field of composite materials



Polymer modification provides a solution to each of these challenges by delivering a range of techniques that finish and enhance the properties of commodity polymers, frequently creating entirely new molecular architectures. Perhaps the oldest and best-known example of modification is the process of vulcanization of rubber, which transforms a nearly unusable material (natural rubber, polyisoprene) into one with valuable engineering properties (tyre rubber). There is a vast range of additional modification types and the Group has developed its own proprietary range of modifications, comprising a range of techniques.

A polymer modifier, also known as an impact modifier, compatibilizer, coupling agent, or functionalised polymer, is a polymeric material with a functional unit mounted onto the backbone of the polymer. Polymer

modifiers allow fillers such as glass, nanoclays, talc and calcium carbonate to be chemically bonded to the base polymer, or a different polymer within the finished blend in order to become compatible with each other. Polymer modifiers help improve the characteristics of various thermoplastic polymers by providing durability, strength, rigidity and other properties.

Polymer modifiers offer a wide range of properties, including weather resistance, chemical resistance, specific fire behaviour, plasticity or improved solubility. These properties are designed to increase demand among customers compared with alternative base materials or modifiers, thus boosting both the polymer modifier market and the underlying polymer market.

As a result, it is possible to develop new composite products which, due to the materials being previously incompatible, have the following physical and chemical features:



3. GRAFT POLYMER ECO CREDENTIALS

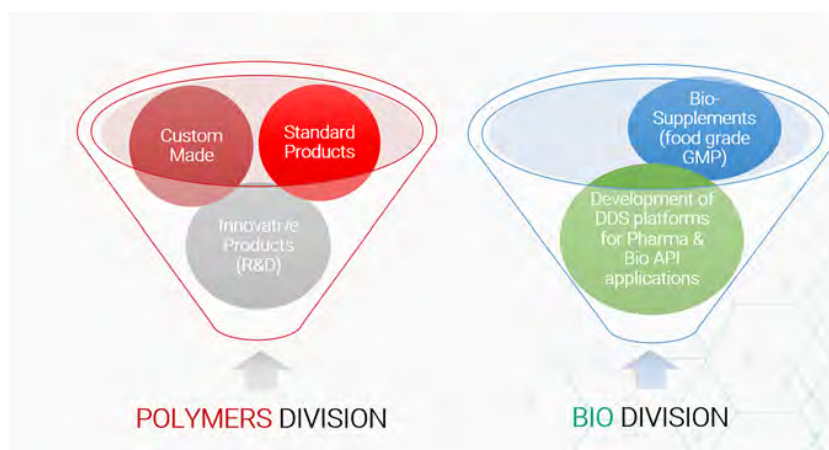
The Group prides itself on its eco credentials. In particular:

- The production of the Group's "ECO" line modifiers involves the use of clean scrap raw materials purchased from one of the largest recycling collectors in the EU;
- Modern processing techniques are used by the Group during production of modified polymers to minimise waste to almost zero;
- Toxic raw materials are not used by the Group, which uses only environmental REACH and ROHS certificated raw materials;
- Production by the Group of specialised recycling polymer additives increases the strength of recycled blends and plastic products for plastic waste; and
- The Group's proprietary co-agents and redox initiating system are used during the grafting process, which improves efficiency, reducing by between 40 and 50 per cent. the work required to be used by the compounder as compared to systems used for analogous, low graft products available on the market.

4. RESEARCH AND DEVELOPMENT

In its research facility in Slovenia, the Group has developed modification solutions that overcome the well-known drawbacks of existing technologies and also offer customers the potential to create industrial processes based on synergism of its proprietary methods. The Group has what the Directors believe to be one of the most comprehensive, innovative and flexible product ranges in the field of polymer modification. The deployment of a new polymer mix in a specific application typically can take up to several months or even years, with extensive investigation of the impact of the additive on the current manufacturing process, as well as on the properties of the finished product.

THE GROUP'S DIVISIONS



The Polymers division: three main categories of product:

1. **The standard products range** – polymer products that were adapted to align with the market standards and do not require a special validation process by the client.
 - Multifunctional coupling agent (CA) based on PP.
 - Impact Modifiers for polyamide, polyethylene terephthalate, polybutylene terephthalate.
 - Coupling Agent for Wood Plastics Composites.
 - Adhesives & Sealants Market.
 - Multifunctional Modifier for composites that include fillers, ATH/MH, scrap.
 - Multifunctional Compatibilizer for bitumen, films, Scrap, IM for polyethylene terephthalate /polybutylene terephthalate.
 - Peroxide MB: for melt Flow regulator in the PP Market.
 - Synthetic Products
2. **Custom-made Polymers** – modification of the standard product range according to customer's requirements.
3. **Innovative** Products that are currently in the development and trials
 - GRAFTALLOY – a line of “polymer-polymer” nano-alloys to increase abrasion resistance, temperature resistance, impact strength, reduce friction coefficient.
 - GRAFTAKIT – reaction liquid super concentrates on polymeric porous media for carrying out reaction extrusion and modification of compounds directly “at the customer’s production line”.
 - GRAFTAMER TRC – unique so-called “smart polymers” (thermally reversible cross-linking, self-hardening, self-healing, polymers with “shape memory”).
 - GRAFTAMER VTR (In development status) – New type of polymers – short cycle times, transport at room temperature, recyclable.

GraftBio BIO Division:

Development of DDS platforms

The Group is currently researching smart nanostructured materials to deliver drugs to the target sites. The main aim is to reduce dosage frequency and mitigate the side effects experienced with traditional therapies.

Bio-Supplements

Several ranges of products are in the development pipeline with plans for commercial production following the grant of a certificate:

- GraftBio Q10 (water soluble Co-enzyme)
- GraftBio Gold (water soluble Curcumin)
- GraftBio Immune (water soluble Cu+ Vitamin C)
- GraftBio BSO (water soluble Black Seed)
- GraftBio Pro (water soluble Propolis)
- GraftBio GS (water soluble Ginseng)
- GraftBio Gin (water soluble Ginger)

THE GROUP'S PLACE IN THE MANUFACTURING CHAIN



Figure 2: Graft Polymer's role in the manufacturing chain

As a commercial supplier of polymer modifiers, the Group sells products to refiners, compounders and processors.

Refiners are typically large enterprises who produce virgin polymers as commodities, including polyethylene, polypropylene, polyamide. They often seek to upgrade their existing product portfolio or to develop some innovative grades. Graft Polymer provides them with some modifiers or masterbatches to add during their process to increase monomer content, raise modulus, increase MFI (melt flow index, relevant in processing), or improve other properties.

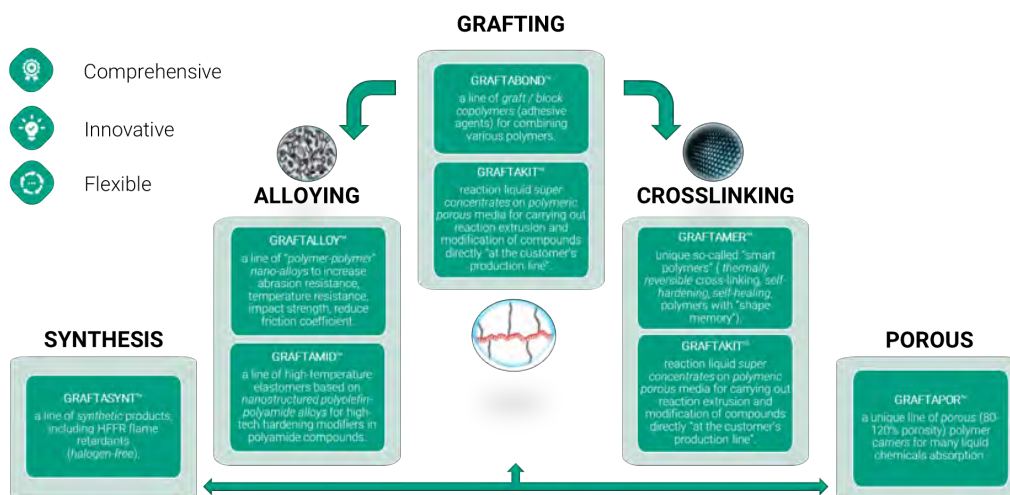
Compounders are the direct customers of Graft Polymer and produce composites, mixtures of virgin polymers, modifiers and/or fillers.

These composites are then supplied by the compounders to processors who produce finished or intermediate products, such as injection or compression moulded structures, pipes, blown films and packaging.

The Group can also produce final composites, generally focussed on polymer-polymer alloys. In these cases, the Group's products go directly to processors.

As shown in Figure 2 above, polymer modification involves entirely business-to-business sales. Furthermore, modifiers create commercially critical properties to finished products, which introduces some conservatism with customers in their willingness to use alternative products. Typically, the process from first introduction of a potential new polymer modification technique to commercial sales is in the range of one to five years.

POLYMER BUSINESS MODEL: STRUCTURE AND FEATURES

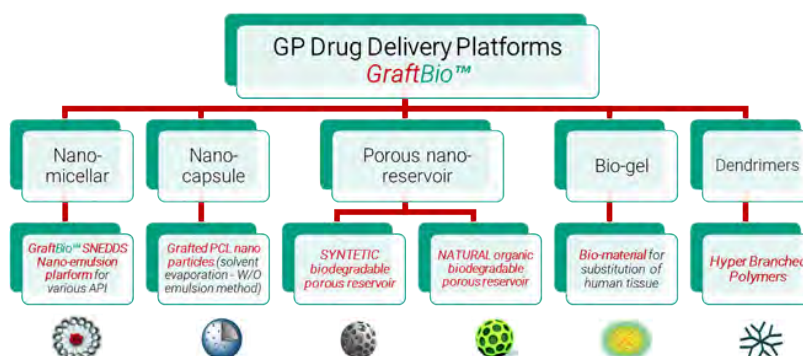


Using the most advanced technologies:

- Flow induced crystallisation
- Solution grafting
- Powders hybridisation
- Nitroxide mediated polymerisation
- Solid phase grafting
- Fillers treatments
- Hot ozonolysis/plasma modification
- Micro/nano porous polymer carries

BIO BUSINESS MODEL: STRUCTURE

The Group is currently conducting research on smart nanostructured materials to deliver drugs to target sites with reduced dosage frequency and in a controlled manner, to mitigate the side effects experienced with traditional therapies.



The Group expects to have food GMP production facilities in 2022.

MAIN POLYMER TECHNIQUES

Grafting: The Group has developed a range of grafting techniques, where different polymers, including those normally considered immiscible, can be grafted together to create composite polymers with various properties, leaving behind minimal or nil post-processing residues and without creating discolouration of the finished product. Finished products can be tougher and offer superior adhesion than unmodified blends.

Alloying: The Group has developed a range of polymer-polymer nano-alloys, which permit the creation of complex polymer alloys with nano-fillers, self-reinforcing and self-healing polymer alloys and compounds. For instance, the GRAFTALLOY and GRAFTAMID product series can act as stand-alone compounds as well as modifiers for other composite materials.

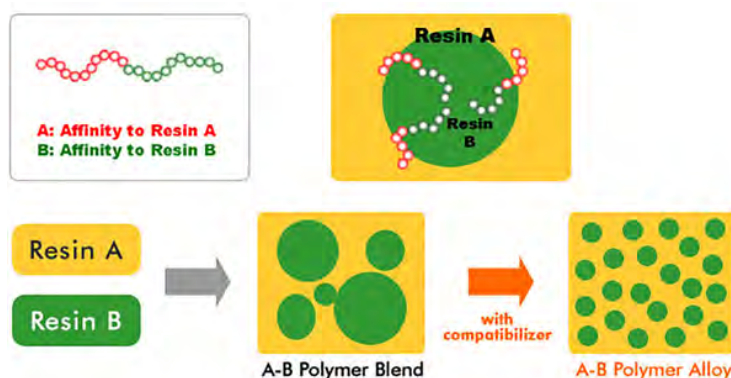


Figure 3: Co-continuous morphology prevents phase separation within finished alloys

Cross-linking: The Group has developed three families of techniques: thermo-reversible cross-linking, novel irreversible crosslinking and interpenetrating polymer networks. Collectively, these enable the creation and tuning of multiple polymer properties, such as the welding of additional material onto a previously cross-linked substrate. For instance, product series of GRAFTAMER TRC and particularly GRAFTAMER VTR are amongst the most innovative trends in the polymer industry. In particular, GRAFTAMER VTR creates a cost-effective commercial method of manufacturing vitrimers, a novel class of polymers discovered in 2011, and is able to do so from a wide range of precursors including HDPE, polybutylene terephthalate, and polyester.

Synthesis: The Group has developed several proprietary synthetic techniques that produce co-agents for the modification process and enable the production of HFFR product families in both liquid and solid forms. HFFRs achieve fire protection by decomposing in the event of fire and creating a barrier layer between the underlying polymer or substrate and the fire. This barrier layer both slows the passage of oxygen and has low thermal conductivity, preventing further fire damage. HFFRs are widely used for cabling in buildings and vehicles and are particularly valuable in that the underlying cable can continue to operate even in the event of a fire. In addition, as they are halogen-free, they meet the highest current environmental performance standards. The Group's GRAFTASYNT HFFR product is a flame-retardant liquid additive, based on boron chemistry, that can achieve UL94 V-0 rating (burning stops within 10 seconds on a vertical specimen, standard for safety-critical electronics) at low loading levels and is suitable for both thermoset and liquid polymeric systems. In addition, our product causes no discolouration and is effective at low dosage.

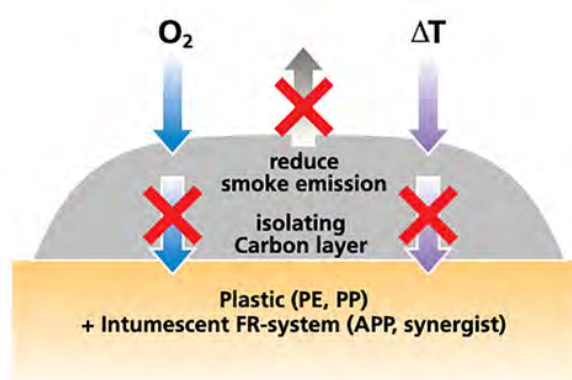


Figure 4: Mechanism of intumescent HFFR barrier layer

Source: Polymer Insights

Research and development: The Group's laboratory in Slovenia operates a full suite of polymer development and testing equipment. The Group carries out R&D activities both at this laboratory and at its customers' testing facilities. The Group's ongoing R&D program 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, using a variety of input commodity polymers, reagents, and catalysts, typically prepared using industry-standard shear extrusion or other mix and reaction processes. These mix and reaction processes include chemical reactions, physical mixing, compression, heating and shearing, dependent on the properties required for the relevant process. These techniques allow the Group to generate a wide range of properties for finished materials. The Group primarily works with sophisticated commercial customers seeking to enhance performance, reliability, traceability, and cost-effectiveness of their products. The Group either carries out its own R&D, or (where relevant) collaborates with its customers in developing products that those customers require. Therefore, it does not currently require any third party collaborative research and development agreements beyond its customer contracts.

The Group carries out market analysis to determine in which areas it would be commercially advantageous to carry out R&D. In particular, when considering whether to develop a product, it considers:

- whether the product is capable of being easily scaled up on an industrial scale. This includes whether raw material will be readily available; the grafting level that will be required for the final application; and the capacity of machinery to scale up production of the product;
- whether the product is environmentally-friendly; and
- whether the product is economically viable, taking into account the cost of raw materials and additives used to manufacture the final product.

The Group also carries out R&D upon the request of its customers and uses the same criteria to determine whether to commence R&D.

During 2021, the Group's R&D activities have included:

- working with the Slovenian Roto Group to develop stronger and modified crosslinked powder to be used in a range of products, including dual fuel tanks;
- working with the American automotive company Cooper Standard to develop a product for polyethylene–octene elastomer crosslinking, to be used in a range of automotive applications;
- working with an international thermoplastic automotive producer to improve the effectiveness of a maleic anhydride functioned homo-polypropylene coupling agent for use in the glass fibre blending process;
- development of an advanced new type of covalent adaptable network; and
- development of new types of drug delivery system carrier platforms for active pharmaceutical ingredients.

Due to the nature of the Group's business, it is not developing any one specific product that may have a material effect on its future prospects.

5. TRADE MARKS

The following trade marks are registered in the name of Graft Polymer IP, a wholly-owned subsidiary of the Company. Graft Polymer Slovenia has been granted a non-exclusive worldwide licence by Graft Polymer IP to use these trade marks.

<i>Territory</i>	<i>Class</i>	<i>Mark</i>	<i>Number</i>
UK	Class 1	GRAFTAMID	UK00003276548
UK	Class 1	GRAFTABOND	UK00003276549
UK	Class 1	GRAFTALOY	UK00003408039
UK	Class 1	GRAFTSYNT	UK00003408043
UK	Class 1	GRAFTAPOR	UK00003408035
UK	Class 1	GRAFTALEN	UK00003276546
UK	Classes 1 and 17	GRAFTAMER	UK00003608661

Applications have also been made for the following words to be trade marked. When granted, the marks will be held by Grant Polymer IP, which has granted Graft Polymer Slovenia with a non-exclusive licence to use these trade marks.

<i>Territory</i>	<i>Class</i>	<i>Mark</i>	<i>Number</i>
UK	Classes 1 and 17	GRAFTAKIT	UK00003608655
UK	Classes 5 and 42	GRAFTBIO	UK00003614423

6. PATENTS

The following patents have been applied for:

<i>Application number</i>	<i>Entity that has applied for the patent</i>	<i>Filing Date</i>	<i>Country of patent authority</i>	<i>Subject matter of patent application</i>	<i>Status</i>
P-202100132	Graft Polymer IP and MGC	28 June 2021	Slovenia	Cannabinoids-Ionic complex self-nanoemulsifying concentrate and method for preparation	Graft Polymer IP and MGC have been granted priority rights.
P-202100047	Graft Polymer IP	19 March 2021	Slovenia	Method for production of modified polyolefin	Graft Polymer IP has been granted priority rights.
P-202100044	Graft Polymer IP	16 March 2021	Slovenia	Method for industrial production of modified polymers and device for its realisation	Graft Polymer IP has been granted priority rights.
2021106347	Victor Bolduev ¹	11 March 2021	Russia	Super-saturable self-nano emulsifying drug delivery system for poorly water-soluble pharmaceutical compositions and method of its preparation	Priority rights have been granted.
P-202100024	Polymer Innovation ¹	22 February 2021	Slovenia	Super-saturable self-nano emulsifying drug delivery system for poorly water-soluble pharmaceutical compositions and method of its preparation	Priority rights have been granted.

¹ Polymer Innovation Inc. is wholly-owned by the Founder. On 3 December 2021, Polymer Innovation Inc. assigned the legal and beneficial interest in the patent application P-202100024 into the name of Graft Polymer IP. On 3 December 2021 Victor Bolduev also assigned his legal and beneficial interest in the patent application 2021106347 to Graft Polymer IP. Both applications are now in the name of Graft Polymer IP.

In accordance with the Industrial Property Act of Slovenia, the Slovenian Intellectual Property Office (“**SIPO**”) will publish each of the Slovenian patent applications after the expiry of a period of 18 months from the filing date. The SIPO shall issue a decision on the grant of a patent and enter the patent in the register of patents and public patent database. The date of the publication of a patent application shall be deemed to be the date of the grant of a patent.

The patent procedure in the Russian Federation is similar to processes implemented in other European countries. The Russian Patent Office reviews the application and 18 months after the application is filed, the patent application is published. The patent is typically granted within one to three years after the filing date.

From the filing date of each of these patent applications, the abovementioned applicants (or, where applicable, their assignees) have a priority right for their IP in all countries that are members of the Paris Convention.

The Group intends to submit patent applications during the course of 2022 in respect of the following:

- Novel CBD pro-drug composition and synthesis method;
- Endocannabinoid-like compound composition based on fatty acid amide and synthesis method; and
- New industrial method of clean porous polymer carrier manufacturing.

The Group owns all assets necessary for the production of its products. The Group does not currently use assets for production that it does not own.

7. THE GROUP’S CURRENT PRODUCT FAMILIES

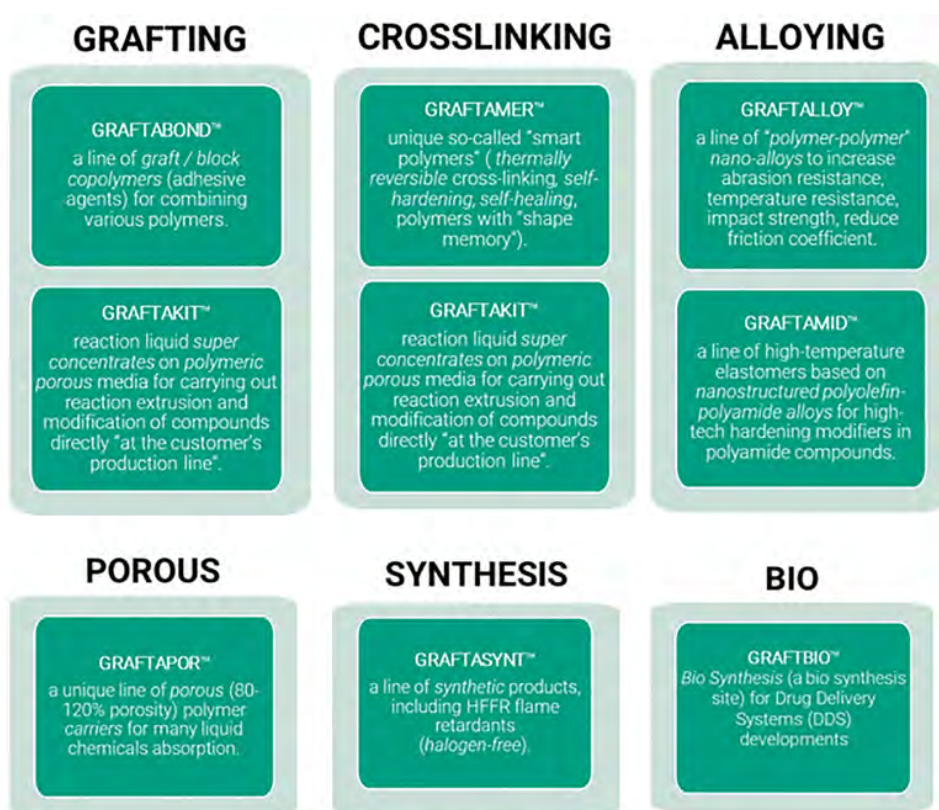


Figure 5: Graft Polymer’s product families

8. WHAT MAKES GRAFT POLYMER UNIQUE?

The Group has a range of proprietary technologies and techniques which the Directors believe are broader than those of its peers. In particular these include:



Proprietary initiating systems which allows the Group to produce some of the most sophisticated graft modifiers currently known in the polymer industry



A high purity and consistent quality of modifiers ensured by “living” radical polymerization through controlled nitroxide agents.



The Creation of polymer alloys with co-continuous nano-morphology



Thermoplastic-thermoset polymer hybrid composites with interpenetrating polymer networks (IPN) approach



Novel thermo-reversible and “vitriimer”-type crosslinking polymers with a high service temperature



“Smart” polymers with self-reinforcing and self-healing properties



In-house synthesis of “nitroxide stable radicals” (TEMPO) for high-tech composite materials – a proprietary process

9. TARGET MARKETS



Figure 6: Graft Polymer’s target markets

10. MARKET SIZE

In 2020, the global impact modifier market was estimated to have a value of US\$3.9 billion. The coupling agent market is projected to reach US\$614.1 million by 2023 registering a CAGR of 3.5 per cent. between 2018 and 2023. In 2019, the market size for global hot melt adhesives was valued at US\$6.7 billion. The global PP nonwoven fabrics market size in 2020 was estimated at US\$40.5 billion. In 2020, the market size of global PEX was estimated at US\$5.5 billion, the global rotomoulding powder market size was estimated at circa US\$1 billion and the global HFFR market size was estimated at US\$4.1 billion. The global DDS market size was estimated to be US\$26.08 billion in 2019 and is projected to reach US\$45.20 billion by 2027.

11. KEY COMMERCIAL PIPELINE 2021-23

The Group has a strong commercial contract pipeline and is currently negotiating future contracts with partners in multiple industries. Currently Graft Polymer is focussed on the following major relationships:

- **International thermoplastic automotive producer:** the Group has received several orders. Further evaluation is underway based on the GRAFTABOND product line for applications in the automotive industry.
- **Swiss Biotech:** develops products in the field of nutraceuticals, wellness and anti-ageing. Swiss Biotech has developed a method that imitates the way our bodies process natural nutrients. Using the Group's products and R&D, Swiss Biotech will expand the range of the products it offers.

The Group has developed self-emulsified natural active substances ('SMSEP') in its Slovenian laboratory. The Company has entered into a binding outline agreement with Swiss Biotech directed towards the future production and supply of SMSEP. Sub-contracting by the Group to a third party for the manufacturing is expected. Pricing, in respect of the future supply by the Group to Swiss Biotech, has been agreed in part for certain categories of SMSEP. Initial and ongoing supply quantities and quality aspects are however, still subject to negotiation.

- **MGC Pharmaceuticals Ltd:** A European focused biopharma company, listed on the Australian Securities Exchange and the London Stock Exchange. In 2019, Graft Polymer Slovenia entered into a Research and Development Agreement with MGC, pursuant to which the parties agreed that Graft Polymer Slovenia would conduct research for MGC with regard to the following MGC Pharmaceuticals Ltd products:
 - (a) "CimetrA™" – proprietary bio-Investigation medicinal product targeting COVID-19 symptoms based on SNEDDS in forms of spray and powder. Testing is ongoing.
 - (b) "CannEpiL-IL™" SNEDDS form of nanoemulsion based on CBD/THC for the treatment of epilepsy.

MGC Pharmaceuticals Ltd uses the GRAFTBIO DDS platform solution in several of its products, as described above.

Roby Zomer, non-executive chairman of the Company, also serves as the Managing Director and Chief Executive Officer of MGC. Brett Mitchell, a consultant to the Company through Sibella Capital Pty Ltd, serves as Executive Chairman of MGC. Both Roby Zomer and Brett Mitchell are shareholders of the Company and also of MGC.

MGC Licence & Royalty Agreement

On 21 September 2021, Graft Polymer IP entered into a licence agreement with MGC. Graft Polymer IP has granted MGC a worldwide, non-sublicensable licence to use the intellectual property rights in certain inventions, technologies and products relating to the Group's GraftBio self nano-emulsifying drug delivery system ("DDS IP") for the sole purpose of manufacturing MGC's CimetrA™ and 'CannEpiL-IL™ (CannEpiL Ionic Liquid) products and any improvement, change or derivative of those products and any other products which may be mutually agreed between the parties. For further details please refer to the summary of the MGC Licence & Royalty Agreement in paragraph 16.16 of Part 11 (*Additional Information*).

As part of the Emergency Use Registration process for CimetrA™ as a medicine in India, an observational open label controlled clinical trial was conducted using a Nasal Formulation (in order to meet the physiological limitation of patients with severe cases of COVID-19) of CimetrA™, and released as ArtemiC™ to the study. The clinical study results demonstrated for the first time the formulation's efficacy in the treatment of patients with severe COVID-19. The clinical trial demonstrated a significant reduction in one of the main inflammatory markers related to COVID-19, C-reactive protein ("**CRP**"), an acute inflammatory protein that increases up to 1,000-fold at sites of infection or inflammation. CRP is used as one of the main prognostic factors for the clinical deterioration in hospitalised COVID-19 patients. MGC has begun the registration process to obtain Emergency Use Authorisation for CimetrA™ in India. This clinical trial is part of the process to gain authorisation and is expected to be concluded during Q1 2022.

AMC

On 26 August 2021, MGC announced that it had executed a binding, 3-year US market Supply and Distribution Agreement with US-based Company, AMC Holdings, Inc ("**AMC**"). The agreement has minimum orders of US\$24 million of MGC phytomedicine products including CimetrA™, of which a US\$3 million order was placed for the first year, with an additional US\$21 million of orders of MGC phytomedicine products, over years 2 and 3. The US\$3 million order from AMC placed for the first year represents over 110,000 units of CimetrA™, the largest single order that MGC has received for any product, to date.

MGC has received the full US\$750,000 cash deposit from AMC in respect of the initial US\$3 million order, per the terms of the Supply and Distribution Agreement. AMC will provide MGC with a further US\$2.25 million financing for the balance of the first year US\$3 million order, in the form of a cash deposit, letter of credit or other secured funding facility acceptable to MGC, on delivery of the first CimetrA™ shipment to the US.

AMC is currently in the process of securing approval for receiving CimetrA™ for distribution within the US, which is expected to take approximately six weeks. The initial order by AMC will be used by regulators and researchers in the USA approval process. As part of this process, AMC is coordinating with the University of South Florida in Tampa and the Holy Cross Hospital in Fort Lauderdale to submit CimetrA™ to the internal review boards for approval and the initiation of clinical trials. The approval of the initial review board will enable each facility to participate in ongoing clinical trials for CimetrA™.

As a result of MGC Licence & Royalty Agreement between Graft Polymer IP and MGC, Graft Polymer IP will receive a royalty of €1 per each unit of the product sold on the gross revenue from the sale by MGC to AMC of to CimetrA™.

- **International manufacturer:** The Group is in the final testing phase with an international manufacturer, which could result in annual volumes of up to 120 metric tonnes. The Group's products are used to make crosslinking processes for automotive, roofing products.
- **Roofing polymer composites manufacturer (Russia):** Currently second phase of successful bulk sample testing. The Group's products are used for bitumen modification and panels.
- **Plastic additives distributor (Poland):** Several successful product tests approved by client, the Group is trialling the GRAFTALEN and GRAFTABOND product lines for use in their own product offerings.

In addition, large commercial sample testing is underway with negotiations for long term supply deals with:

- **Synthetic rubber manufacturing company:** Several products under trial with developments on different terms of co-operation planned to be commercialised during 2022.
- **A global producer of styrenic block copolymers:** Interested in grafting solutions for a new line of products. Lab trials have commenced.
- **A global specialist chemicals company:** Developing an aqueous dispersion product based on modified solutions.
- **Manufacturer of thermoplastics recycled polymers (UK):** Positive results from second phase of testing and moving to third phase currently with larger quantities.

- An American multinational chemical corporation has several products under evaluation using the Group's concentrated GRAFTAKIT line for the production of adhesives.

The top 15 projects in the current commercial sales pipeline across the Group's portfolio of products, together with expected monthly sales volume in the event of a successful conversion to a commercial contract, are summarised in the following table. Pricing in the table reflects the different products on order and in negotiation with existing and potential customers.

These projects represent nearly 90 per cent. of the Group's risked sales pipeline at present. This pipeline excludes any licensing arrangements where the Group makes its technology available for third party manufacture.

The Directors' experience is that customers making regular orders continue to do so once they have established the benefits that the Group's products bring.

Customers who have executed a letter-of-intent typically begin regular orders within twelve months, and a substantial proportion of such letters of intent convert to regular orders. Customers who have requested the Group's products for trials typically execute a letter of intent within twelve months and a large proportion of such trials convert to a letter of intent.

<i>Customer</i>	<i>Region</i>	<i>Status</i>	<i>Expected volume (tons / month)</i>	<i>Product price range (€ / kg)</i>
Automotive Tier 1 A	Eastern Europe	Letter-of-intent	75+	3 – 5
Automotive Tier 1 B	USA	Customer trials	20 – 50	10+
Global Chemical Major A	USA	Customer trials	15 – 25	10+
Global Chemical Major B	Central Europe	Customer trials	20 – 50	5 – 8
Manufacturer A	Centre Europe	Trials (for IM product)	40 – 80	3 – 4
Manufacturer B	Russia	Customer trials / still on the process	15 – 25	10+
Chemical Major A	West Europe	Customer trials	15 – 25	5 – 8
Manufacturer C	West Europe	The project in delay due to the covid 19	40 – 80	1 – 2.5
Manufacturer D	Germany	Customer trials	15 – 25	5 – 8
Manufacturer E	UK	Regular orders	2 – 7	10+

12. IMPLEMENTATION OF THE GROUP'S STRATEGY

The successful implementation of the Group's strategy and the business plan of the Group is based on certain key assumptions and subject to the sensitivities, as set out below:

Developing intellectual property and new technologies to provide novel products and new solutions for new market challenges and retain the Group's key intellectual property creators:

The Directors have assumed that the Group will be able to develop new technologies which will be attractive for use in the polymer market, across a range of sectors and that the key creators of the intellectual property of the Group will remain in the Group and continue to innovate. If the Group and its intellectual property creators are unable to advance the Group's offering of polymer technologies, or if the intellectual property creators leave the Group, the implementation of the Group's strategy and business plan and its ability to grow revenue at the rate anticipated may be materially impacted, especially if the Group's competitors have been able to advance their market offerings.

Grow the Group's share in its core polymer modifier market using key distributors around the world:

In addition to its direct sales to customers, the Group has secured distribution relationships with multiple partners globally, including distributors/agents in Europe, India and Russia. These distributors are critical channels to market for the polymer modifier industry, providing quality assurance for potential customers as well as market volume. The Directors have assumed the Group will be able to develop new and foster ongoing, relationships with its key distributors; 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 severely limit the ability of the Directors to implement the Group's wider strategy and business plan.

Collaborations with few big players/refiners for mutual development and production of grafted products:

Part of the Group's strategy is to collaborate with key stakeholders or specialists in specific industry sectors, to develop, manufacture and distribute products into industries alongside well-known or leading participants. If the Group is unable to collaborate or partner with industry leaders and co-develop products, increase market share or enter new markets, the ability of the Group to innovate or become a leading participant in new markets may be limited, which could materially impact the ability of the Directors to implement the wider strategy of the Group and its business plan.

To be intimately involved in product development with clients using the Group's base materials to secure long-term orders:

Part of the strategy of the Group is to develop polymer products with its key customers, which become integral for use by customers in the production of their products, thereby securing long-term sales and demand for products of the Group. If the Group is unable to develop polymer products which are in regular demand and thereby establish long-term orders which are of a reasonable size and frequency, the ability of the Group to generate recurring and reliable revenue may be limited, which could materially impact the ability of the Director's to operate the Group in line with their expectations or the business plan.

13. KEY INVESTMENT PROPOSITION**Wide range of technologies for polymer modification**

The Group's wide range of proprietary techniques enable its customers to achieve better product characteristics for their polymers and polymer-based products at comparable or lower cost than competitors.

Wide range of products & applications

The Group is focussed on commercialising an extensive portfolio within the following product ranges:

- modifiers;
- alloys;
- smart polymers;
- porous granules;
- synthetic products; and
- a new Drug Delivery System,

which are lighter, more cost effective, technologically safer, ecologically purer and have industrial scalability. The Group's products address customer needs across a wide range of end use markets, from automotive through to medical. The Group is therefore not dependent on one market segment and can be flexible to market needs.

Experienced management team and Board

The founder, Victor Bolduev, has 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. As a whole, the Board and the Company's Senior Manager have significant experience establishing, financing and growing businesses both within the private arena, and within the public markets.

Protected IP

The Group has a layered IP strategy which seeks to protect its proprietary know-how, as is normal in the polymer industry. All intellectual property of the Group is held by Graft Polymer IP (a fully owned subsidiary of the Company). The Group maintains strict commercial secrecy around newly developed products and technologies and seeks patent protection once a product is commercially established.

Attractive manufacturing and product development location

Slovenia is an attractive location for manufacturing, with excellent infrastructure, competitive labour costs, and a location adjacent to the major manufacturing and supply chain centres in the European Union in northern Italy and central Europe.

High margin product sales strategy

The Directors are confident that based on existing sales relationships, its products can be sold at attractive high margins. As a result, the Directors expect the business to exhibit strong operational gearing, with small increases in revenue resulting in substantial improvements in profitability.

Growing global distribution channels

In addition to its direct sales to customers, the Group has secured distribution relationships with multiple partners globally, including distributors/agents in Europe, India and Russia. These distributors/agents are 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 territories in the near future.



Figure 7: The Group's Distribution Partners

Close relationship with customers

The deployment of a new polymer mix in a specific application typically can take up to several months or even years, with extensive investigation of the impact of the additive on the current manufacturing process, as well as on the properties of the finished product. The Directors believe that the high level of engagement the Group enjoys with multiple target customers supports their expectation of strong sales performance over the next few years.

Underlying market growth

The Group is active in a number of polymer modifier markets which are expected to grow for the foreseeable future, including novel mixes and compounds where the Directors believe there is the potential for strong market uptake.

Robust Environmental, social, and governance ("ESG") credentials

The Board is committed to adopting the best practice, where possible and appropriate, in its reporting of Environmental, Social and Governance ("ESG") issues. ESG issues fall under the remit of the Board, who plan to formalise an ESG committee following Admission. The Directors recognise that ESG issues will evolve over time, and as the Company grows, but have already begun the collection of data to enable the process to commence. The results of the initial data collection are set out below. The Board expects to publish additional ESG disclosures in the 2022 Annual Report.

The Company is well positioned to have a positive impact through the power of polymer modification. The Company intends to embrace this opportunity and to demonstrate its sense of responsibility to keep people safe and help protect the environment. The majority of the Group's products address engineering polymer applications (such as automotive components, wood-plastic composites, coating agents, and adhesion materials) and healthcare applications, with limited to single-use plastics. In addition, the Group has developed several agents suitable for use in recycled polymer preparation, including agents which are capable of largely restoring the original properties of even thermoset polymers.

Environmental

The Group's business centres on the improvement of the performance of customer products, primarily in engineered polymer products, in recycled polymers, and in medical applications. This improvement, whilst measured in value, normally involves an improvement in the properties of material used to manufacture the relevant end product that results in reduced raw material consumption. In addition, the nature of the Group's products is to improve the performance of polymeric compounds which continues the long-term trend of substitution by low-environmental impact polymers of high-impact metal products. The Directors therefore believe that the Group's products are closely aligned with the core goals of sustainability.

The Company operates a principal research and development facility in Slovenia which was recently granted ISO 14001 accreditation in recognition of the environmental management systems in place to reduce waste, improve resource efficiency and reduce the operations' environmental impact. The Group was also recently granted ISO 9001 accreditation in recognition of the quality management systems in place to consistently deliver products and services that meet customer and applicable statutory and regulatory requirements, as well as enhancing customer satisfaction. Whilst both certifications will be formally reviewed in 2024, Graft Polymer is committed to consistent and regular reporting of its environmental performance and the progress of the Group's environmental management systems in place.

The Group adheres to and contributes to the following United Nations Sustainable Development Goals:

- Goal 8, *Decent Work and Economic Growth*; in particular, the Group contributes to target 8.5 (achieve full and productive employment and decent work for all) in its scheme to sponsor one person with disabilities for every 27 employees at Graft Polymer thereby assisting persons with disabilities to achieve decent work).
- Goal 9, *Industry, innovation, and infrastructure*; in particular, in its products, the Group has developed several agents suitable for use in recycled polymer preparation, including agents which are capable of largely restoring the original properties of even thermoset polymers, as well as providing specialised recycling polymer additives to increase the strength of recycled blends and plastic products and proprietary co-agents and redox initiating systems during the grafting process to improve efficiency.
- Goal 12, *Responsible consumption and production*; in particular, in its own manufacturing, the Group employs a number of practices to decrease the environmental impact of its business. These practices include using recycled raw materials and using a closed loop system to reduce waste thereby contributing to target 12.5 (reduce waste generation through prevention, reduction, recycling, and reuse).

The Company is committed to reducing the carbon footprint of its products over time from the improved sourcing of components and power, and from maximising recyclability of components at end-of-life. The Board intends to further analyse the Company's operations and plans to disclose further details in future Annual Reports using the framework set out by the Sustainability Accounting Standards Board ("**SASB**"). On Admission, the Company will also develop its key performance indicator reporting and release metrics relating to Greenhouse Gas emissions, in future reports.

Social

The Company treats the health, safety and welfare of its staff as a priority. This has included during the COVID-19 pandemic: a focus on home working for all office-based staff, alternating breaks to minimise numbers in social areas, the supply of masks to all staff to be worn at all times and instituting continuous social distancing. The Company also focused on new protocols and adjusted our manufacturing operations to meet new customer demands.

The Group's operations involve industrial manufacturing and are subject to numerous health, safety and environmental (“**HSE**”) requirements in the jurisdictions in which the Group conducts its business. Such HSE laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management and the use, composition, handling, distribution and transportation of hazardous materials.

The Group is committed to having a positive impact on the society it operates in and to contribute to creating sustainable communities. The Group is proud to offer its flagship scheme which commits to sponsoring one person with disabilities for every 20 Graft Polymer Slovenian employees. By providing safe and sustainable solutions for its customers, the Group has an opportunity to regularly review and innovate new schemes to widen its positive impact on society.

<i>Social Metric</i>	<i>SASB Code</i>	<i>GRI Code</i>	<i>Units</i>	<i>2021</i>	<i>2020</i>
Total recordable incident rate	RR-FC-320a.1	403-9-a	Rate	0	0
Total fatality rate	RR-FC-320a.1	403-9-a	Rate	0	0
Female employees		405-1-b	%	25%	25%
Employee turnover		401-1-b	%	0%	0%

Governance

Graft Polymer recognises that without effective governance standards, implementing sustainable processes which contribute to a positive impact on the environment and society is difficult. Therefore, the Company is committed to effective governance and, upon Listing, will adopt the Corporate Governance Code for Small and Mid-Size Quoted Companies from the Quoted Companies Alliance (the “**QCA Code**”). Please refer to paragraph 19 of Part 8 (*Information on the Group*) for further detail.

The Board is comprised of three executive directors and two non-executive directors, of which one is fully independent. The Board intends to appoint a new independent non-executive director within three months of Admission.

The Board will create a dedicated sustainability committee with written terms of reference and formally delegated duties. The Group's Board is proud to be culturally, geographically, ethnically, and gender diverse which oversees the Company's sustainability strategy and performance. The Directors bring a level of expertise in chemicals, healthcare, technology, and risk management.

<i>Governance Metric</i>	<i>SASB Code</i>	<i>GRI Code</i>	<i>Units</i>	<i>2021</i>
Independent directors		3	102-22	%
Female directors		1	405-1-a	%
Director average age			102-22	47.6
Director average tenure			102-22	Years
				3.1

Sales volumes in 2020 and 2021

Since commissioning, the Group's plant has been active in producing validation samples to a wide range of customers in Europe, North America, Russia, India and China. Kilograms produced and customers served by the Company in 2020 and 2021 are shown on the following table:

	<i>Q2 2021</i>	<i>Q1 2021</i>	<i>Q4 2020</i>	<i>Q3 2020</i>	<i>Q2 2020</i>	<i>Q1 2020</i>
Sales Volumes (KG)	36,191	26,182	19,299	2,069	6,566	27,178
Customer Count	14	16	21	14	9	9

Figure 8: Group's 2020 –2021 sales

In December 2019, the first major commercial order was received. As illustrated on the table above, since then the Group has steadily increased its customer count and sales volumes.

In 2020, despite the challenges of the COVID-19 pandemic, the Group established a significant product and commercial pipeline. In March of that year, the Group established a medical technology development department with three nano drug carrier projects, including a brain cancer application with MGC. For these

applications, its proprietary DDS is essential to enable the customer to deliver active pharmacological and clinical ingredients to patients. On 21 September 2021, Graft Polymer IP and MGC entered into a licence and royalty agreement in connection with the DDS, further details of which are set out in paragraph 15 below of this Part 8 (*Information on the Group*).

14. REGULATORY ENVIRONMENT, COMPETITION AND SUSTAINABILITY IMPACT

Regulatory

The Group is subject to two industry specific directives which regulate the use of chemical and hazardous substances.

14.1 REACH

The REACH legislation (EC 1907/2006) came into force on 1 June 2007. The aim of REACH is to improve the protection of human health and the environment through better and earlier identification of the intrinsic properties of chemical substances. REACH requires that chemical substances or mixtures must either be registered, excluded or exempt from registration under REACH. Further, the supplier of a chemical substance or mixture shall provide the recipient of the substance or mixture with a safety data sheet ("**SDS**"), which includes detailed information such as the properties of each chemical, first aid measures, fire-fighting measures, ecological information, disposal considerations and transport information relating to the substance, which acts as a tool for evaluating chemical hazards.

To ensure compliance, the Group works closely with its suppliers to ensure that the polymer raw materials and chemicals that the Group purchases or imports into the European Union have already been registered in accordance with the requirements of REACH. The Group also ensures that where substances or mixtures require an SDS, all required information is supplied to the Group's customers including, where appropriate, the relevant registration number.

14.2 RoHS

The RoHS Directive (2002/95/EC) came into force on 13 February 2003. The RoHS sets out restrictions on the use of certain hazardous substances in electrical and electronic equipment ("**EEE**"). In accordance with the RoHS, a declaration of conformity must be completed by the manufacturer of EEE, supported by technical documentation to demonstrate compliance, notably ensuring that any EEE placed on the market does not contain the hazardous substances prohibited by the RoHS. The declaration of conformity must be made available to the appropriate competent authorities on request.

As with REACH, the Group only purchases EEE to be used as part of the Group's modification process from trusted suppliers whose products carry declarations of conformity in accordance with the RoHS. The operations of the Group meet specific regulatory factors relating to environmental management and quality management. The Group's Slovenian plant was accordingly certified as being compliant with RoHS.

14.3 Other regulation

Some of the Group's product and pipeline product applications are designed for use in industries which are highly regulated, such as the automotive and pharmaceutical industry. Standards and regulations may change from time to time. Existing and future legislation and regulation could cause additional expense, capital expenditure and restrictions and delays in the activities of the Group, the extent of which cannot be predicted.

The Group's operations involve industrial manufacturing and are subject to numerous health, safety and environmental requirements of Slovenia, which are subject to change from time to time.

Such HSE laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management and the use, composition, handling, distribution and transportation of hazardous materials. The Group is fully committed to ensuring that all HSE

requirements are upheld and the safety of the Group’s employees is of utmost important to both the Group and the Board.

Save as set out above, the Directors are not aware of any existing governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the operations of the Group.

Competition

The business of the Group competes with a number of regional and global polymer modification groups, many of them subsidiaries of larger petrochemical or specialty chemical groups. The Group’s competitors within the polymer modification sector include Polyram (Israel); Ruser Polimeri (Italy); BYK (Germany); ExxonMobil, Dow and Dupont (USA); Arkema (France); Silon (Czech Republic); Pluss (India); and Fine-Blend (China). The Directors believe that the products and solutions offered by each of these companies is significantly narrower than that of the Group, as shown in the table below (in which the jurisdiction of the relevant competitor is indicated):

TECHNOLOGIES	Slovenia	Israel	Italy	Germany	USA	Germany	France	Czech	India	China
Flow induced crystallization	✓									
Solid Phase Grafting	✓			✓						
Solution Grafting	✓				✓	✓	✓			✓
Fillers Treatments	✓									
Powders Hybridization	✓						✓			
Hot ozonolysis/plasma mod.	✓									
Nitroxide Mediated Polymerization	✓						✓			
Reactive extrusion	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Alloying	✓	✓				✓	✓		✓	
Crosslinking	✓					✓		✓		
Micro/Nano Porous polymer	✓									
Drug Delivery Platforms	✓									

Figure 9: Graft Polymer Competitors

Due to the difficulties of establishing a business within the polymer modification sector (which include the technical experience required, the extensive length of time taken to develop such technologies and the founder experience required), it is uncommon for wholly new companies to enter the polymer modification market. It is more likely that companies will acquire businesses already operating in the sector. For example, SK Global Chemical acquired one unit of grafted materials from Arkema and BYK-Chemie GmbH acquired the modified polymers brand, ‘Scona’. As such, the Group considers that the competitors to the Group are those listed above and that the Group’s predominant expected competition may arise from mergers and acquisitions of companies already operating within the sector.

Although the Group is relatively new within the polymer modification field, it is able to compete with larger and more established corporations as a result of its ability to focus its resources, research and development on developing cutting-edge production methods, while larger corporations do not have the same specialist focus. This specialisation allows the Company to be flexible and agile compared with its competitors in a market that is constantly evolving, which has allowed it to offer a larger range of solutions than its close competitors, while those competitors tend to limit their product offerings to a small number of standard products.

Sustainability impact

The Group’s business centres on the improvement of the performance of customer products, primarily in engineered polymer products, in recycled polymers, and in medical applications. This improvement, whilst measured in value, normally involves an improvement in the properties of material used to manufacture the relevant end product that results in reduced raw material consumption. In some cases, this reduction in consumption is dramatic. In addition, the nature of the Group’s products is to improve the performance of polymeric compounds which continues the long-term trend of substitution by

low-environmental impact polymers of high-impact metal products. The Directors therefore believe that the Group's products are closely aligned with the core goals of sustainability.

In its products, the Group provides specialised recycling polymer additives to increase the strength of recycled blends and plastic products and proprietary co-agents and redox initiating systems during the grafting process to improve efficiency.

In its own manufacturing, the Group employs a number of practices to decrease the environmental impact of its business. These practices include using recycled raw materials and using a closed loop system to reduce waste.

15. ROYALTIES

Founder royalty

On 21 December 2021, the Company entered into a profit share agreement with Victor Bolduev (the "**Profit Share Agreement**"). Under the terms of the Profit Share Agreement and as part of the acquisition of know-how from the founder Victor Bolduev, the Company is due to pay a royalty of 7 per cent. of the profit from sales or licence income of the Company (being EBITDA less the administration costs and expenses of the Company for the relevant financial year as determined in the audited financial accounts of the Company from year to year), on a monthly basis up to an aggregate amount of €3,500,000, which will commence upon the Company achieving monthly profit of €20,000. To date, no royalty has been paid or accrued.

Royalty from MGC

On 21 September 2021, Graft Polymer IP entered into a licence and royalty agreement with MGC ("**MGC Licence & Royalty Agreement**"). Under the terms of the MGC Licence & Royalty Agreement, Graft Polymer IP licenced the use of the Group's GraftBio self nano-emulsifying drug delivery system to MGC. In return, MGC will pay to Graft Polymer IP a royalty of €1 per each unit of the product sold or otherwise commercialised by MGC that utilises the DDS technology. For further details please refer to the summary of the MGC Licence & Royalty Agreement in paragraph 16.13 of Part 11 of this Document (*Additional Information*).

On 26 August 2021, MGC Pharma announced that it had executed a binding, 3-year US market Supply and Distribution Agreement with AMC, with minimum orders of US\$24 million of MGC phytomedicine products including CimetrA™, of which a US\$3 million order was placed for the first year to, with an additional US\$21 million of orders over years 2 and 3. For the further details, please refer to paragraph 11 of this Part 8.

16. DIRECTORS AND SENIOR MANAGEMENT

The Board consists of two non-executive Directors and three executive Directors. The Company also has a senior manager, being Anthony Eastman. The Directors and the Senior Manager have no conflicts of interests between any duties owed by them to the Group and their private interests and or other duties, save that: (a) Roby Zomer is a director and shareholder of, MGC Pharmaceuticals Limited (the parent company of MGC Pharmaceuticals d.o.o). In 2019, Graft Polymer Slovenia entered into a Research and Development Agreement with MGC Pharmaceuticals d.o.o., pursuant to which the parties agreed that Graft Polymer Slovenia would conduct research for MGC Pharmaceuticals with regard to certain of its products, and on 21 September 2021, Graft Polymer IP entered into the MGC Licence & Royalty Agreement with MGC (details of which are set out in paragraph 16.16 of Part 11 of this Document (*Additional Information*); and (B) Anthony Eastman is a partner of Orana Corporate LLP, which provides accounting support services to the Group pursuant to a services agreement, details of which are set out in paragraph 16.14 of Part 11 of this Document (*Additional Information*).

In order to alleviate the potential conflict of interest, Roby Zomer abstained from voting on the entry into the agreements referred to above between MGC Pharmaceutical d.o.o. and Graft Polymer Slovenia. The vote was put to Victor Bolduev, Pavel Kobzev and Tim Wise (a former director of the Company), only. Roby Zomer, will continue to abstain from voting on any matters related to MGC and MGC Pharmaceuticals d.o.o.

Anthony Eastman, as a Senior Manager, is not a director of the Company, and will not be involved with any decisions with respect to the agreement or arrangements with Orana Corporate LLP.

Directors

Roby Reuven Zomer, aged 41 – Non-Executive Chair

Roby Zomer is the Non-Executive Chairman 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 agrosience, on the path to shaping the company into a fully-fledged biopharmaceutical company with market-approved products.

Victor Bolduev, aged 63 – Chief Executive Officer (CEO) and Chief Technical Officer (CTO)

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, such as:

- CJSC "METACLAY" a nanotechnology manufacturing company for the oil industry based in Russia, where he was Head of Technology Development for Polymer Modification between December 2011 and December 2014;
- "OLENTA" Group – a polymers modification manufacturing company for reactive gases and synthesis of functional graft and block co-polymers, based in Russia, where he was Head of the Polymer Modification Department between December 2006 and February 2008;
- OK Rubber(Thai)Co. Ltd. – a Thailand-based company that became the first factory to use an innovative technology to produce rubber/polymer composite materials, where he was Managing Director between 1999 and 2004, and a Senior Consultant until November 2006;
- Light Equipment Plant, where he was Director of International Trade and a General Manager between September 1998 and September 1999; and
- Tornado Group Inc, where he was Sales Director between December 1995 and October 1998.

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, aged 50 – 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.

Pavel Kobzev, aged 39 – 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.

One of Pavel's marketing activities and responsibilities was to develop pricing strategies and targeting strategies based on demographic data, working with a company to develop awareness of the offering to the end client and adjust the product and the final solution. Throughout Pavel's international projects and direct contact, this skill has been well developed.

Alexander (Alex) Samuel Brooks, aged 45 – 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 Manager***Anthony Eastman, aged 47 – 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.

On 21 December 2021, Tournesol Consulting Limited, a company controlled by Anthony, and Anthony entered into services agreement with the Company which, subject to Admission, will govern his appointment as Company Secretary. Anthony will be entitled to a fee of £3,000 per month. The appointment is for indefinite term and will be terminable at any time on 6 months' prior written notice by either party. Anthony's business address is the registered address of the Company.

17. THE PLACING, THE SUBSCRIPTION AND WARRANTS

Under the terms of the Placing Agreement, Turner Pope agreed to use its reasonable endeavours to procure subscribers for the Placing Shares. It has received irrevocable commitments for 20,930,232 new Ordinary Shares, subject only to Admission and the Placing Agreement not being terminated prior thereto. The Company and the Directors have given certain customary warranties as to the Group and its operations and the Company has given an indemnity to Turner Pope.

The Placing, which is not underwritten, is conditional on the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission and Admission having occurred by 6 January 2022 (or such later date as Turner Pope and the Company may agree, being no later than 31 January 2022). In the event that the Placing does not proceed, the Company will not proceed to Admission and will refund any placees that have provided funds in connection with the proposed Placing.

Under the terms of the Subscription Letter, the Subscriber has irrevocably agreed with the Company to subscribe for 2,325,581 new Ordinary Shares. The Subscription, which is not underwritten, is conditional on the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission and Admission having occurred by 6 January 2022 (or such later date as Turner Pope and the Company may agree, being no later than 31 January 2022). In the event that the Subscription does not proceed, the Company will not proceed to Admission and will refund the Subscriber any funds provided in connection with the proposed Subscription.

The Fundraising comprises the issue of 23,255,813 new Ordinary Shares, which (subject to Admission) will represent approximately 22.34 per cent. of the Enlarged Share Capital and will raise £5 million gross of expenses. The estimated net proceeds of the Fundraising are £4.15 million. The commitments of placees in connection with the Placing and the Subscriber in connection with the Subscription are irrevocable and they have no right of withdrawal from the Placing or Subscription.

In connection with the Placing, 1,255,814 Warrants have been issued to Turner Pope, with an exercise price of 21.5 pence, and a term of 3 years from Admission.

Further details of the Placing Agreement are set out in paragraph 16.1 of Part 11 of this Document (*Additional Information*). Further details of the Subscription Letter are set out in paragraph 16.19 of Part 11 of this Document (*Additional Information*).

Immediately prior to Admission, Existing Shareholders will also experience a 15.49 per cent. dilution as a result of the issue of 10,841,486 new Ordinary Shares following the conversion of the Convertible Loan Notes and the capitalisation of the Accrued Fees.

The Directors believe that Admission will, *inter alia*:

- Enable the Company to access investors and raise funds for the development of the Group.
- Provide the flexibility to raise capital for future corporate acquisitions and/or to use the Company's quoted securities as consideration for such acquisitions.
- Provide the ability to incentivise key employees through the issue of share options.
- Raise the profile of the Group among investors and give confidence to customers, suppliers and regulatory authorities.

Use of net proceeds

The Company will receive net proceeds (after deducting estimated commissions and other fees and expenses (including VAT)) from the Fundraising of approximately £4.15 million. The Company intends to use the net proceeds of the Fundraising as follows, with further details set out below:

<i>Use of net proceeds</i>	<i>Amount of net proceeds (£)</i>
Additional production line and further expansion	2,000,000
Investments relating to HACCP and GMP certification	600,000
Lab upgrades and research and development costs and future IP registration	700,000
Sales and marketing and general corporate purposes	850,000

- Additional production line and further premises 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.

18. HISTORICAL FINANCIAL INFORMATION

Part B of the Appendix of this Document (*Historical Financial Information*) contains the audited historical financial information of the Group for the three financial years ended 31 May 2018, 31 May 2019 and 31 May 2020 and the seven months ended 31 December 2020 and the unaudited historical financial information of the Group for the six months to 30 June 2021. The following financial information has been derived from the financial information contained in Part B of the Appendix of this Document and should be read in conjunction with the full text of this Document. Investors should not rely solely on the information summarised below.

	<i>Unaudited 6 mths ended 30 Jun 2021 £'000</i>	<i>Audited 7 mths ended 31 Dec 2020 £'000</i>	<i>Audited Year ended 31 May 2020 £'000</i>	<i>Audited Year ended 31 May 2019 £'000</i>	<i>Audited Year ended 31 May 2018 £'000</i>
Revenue	226	403	330	29	–
Gross profit	144	373	284	16	–
Gross profit margin	63.72%	92.55%	86.06%	55.17%	–
EBITDA	(357)	(82)	(352)	(618)	(486)
Loss before income tax expense	(407)	(160)	(538)	(703)	(494)

Part B of the Appendix of this Document (*Historical Financial Information*) contains the audited historical financial information of the Group for the financial years ended 31 May 2018, 31 May 2019, 31 May 2020 and the seven months ended 31 December 2021 and Part C of the Appendix of this Document contains the unaudited interim historical financial information of the Group for the six month periods ended 30 June 2020 and 30 June 2021.

19. CORPORATE GOVERNANCE

The Directors acknowledge the importance of high standards of corporate governance and intend, given the Group's size and the constitution of the Board, to comply or explain with the principles set out in the QCA Corporate Governance Code.

Upon Admission, the Board will comprise five Directors, three of whom shall be Executive Directors and two of whom shall be Non-Executive Directors, reflecting a blend of different experiences and backgrounds as described in paragraph 16 of this Part 8 (*Information on the Group*). 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.

The Company intends to appoint a new independent non-executive director within three months of Admission.

The Company's proposed corporate governance practices are described below.

The Board

The Board is responsible for the overall management of the Group. The Board will meet monthly and otherwise on an as-required basis, to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals.

The key procedures which the Board intends to establish with a view to providing effective internal financial control include the following:

- the Company has instituted a monthly management reporting process to enable the Board to monitor the performance of the Company;
- the Board has adopted and reviewed a comprehensive annual budget for the Company. Monthly results will be examined against the budget and deviations will be closely monitored by the Board; and
- the Board is responsible for maintaining and identifying major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

The Company has 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 and Risk Committee

The Audit and Risk Committee will have the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit and Risk Committee will also monitor the Company's share dealing code and disclosure policy in order to ensure the Company fulfils its obligations under MAR. The Audit and Risk Committee will meet not less than two times in each financial year and will have unrestricted access to the Group's external auditors. The members of the Audit and Risk Committee shall be Roby Zomer and Independent Non-Executive Director Alex Brooks.

Remuneration Committee

The Remuneration Committee will be responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Executive Directors and such other members of the executive and the Senior Manager as it is designated to consider. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. 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

The Company has 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.

20. SHARE DEALING POLICY

The Company has adopted a share dealing policy regulating trading and confidentiality of inside information for persons discharging managerial responsibility ("**PDMRs**") and persons closely associated with them which contains provisions appropriate for a company whose shares are subject to Admission. The Company takes all reasonable steps to ensure compliance by PDMRs and any relevant employees with the terms of that share dealing policy.

21. DIVIDEND POLICY

The Ordinary Shares rank equally for all dividends and other distributions declared, paid or made in respect of the ordinary share capital of the Company. The Company has not paid any dividends since incorporation.

It is the current intention of the Directors to retain any earnings arising from the Group's activities to fund its working capital needs and to achieve capital growth. Accordingly, the Directors do not intend to pay dividends in the immediate future. The declaration and payment by the Company of any future dividends and the amount of them will depend upon the Company's financial condition, future prospects, profits legally available for distribution and other factors deemed by the Board to be relevant at that time.

22. TAXATION

Your attention is drawn to the information on taxation relating to the Company and Shareholders in the UK contained in paragraph 21 of Part 11 of this Document (*Additional Information*). If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately if you are resident in the UK or, if you are not resident in the UK, from an appropriately authorised independent financial adviser in your own jurisdiction.

23. ADMISSION, SETTLEMENT AND DEALING

It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 6 January 2022. The Ordinary Shares will be in registered form. The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer. Share certificates, where applicable, will be sent to the registered Shareholder by the Registrar, at such Shareholder's own risks.

24. THE TAKEOVER CODE

Mandatory takeover bids

As a company incorporated in England & Wales whose Ordinary Shares will be subject to Admission, the Takeover Code applies to the Company. Under Rule 9 of the Takeover Code ("**Rule 9**"), any person who acquires an interest in shares (as defined in the Takeover Code), whether by a series of transactions over a period of time or not, which (taken together with any interest in shares held or acquired by persons acting in concert (as defined in the Takeover Code) with him) in aggregate, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person is normally required by the Takeover Panel to make a general offer to all of the remaining shareholders to acquire their shares ("**Rule 9 Offer**"). Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person which increases the percentage of shares carrying voting rights in which he is interested.

A Rule 9 Offer must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the Takeover Code, a concert party arises where persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. "Control" means holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control. A person and each of its affiliated persons will be deemed to be acting in concert with each other.

Squeeze-out rules

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the "Takeover Offer Shares") and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the outstanding shares not assented to the offer. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

Sell-out rules

The Companies Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of Ordinary Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Ordinary Shares. The offeror would be required to give any shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

Takeover bids

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

25. CONCERT PARTY ARRANGEMENTS

Under paragraph (9) of the definition of "acting in concert" in the Takeover Code, it is presumed (unless the contrary can be established) that a concert party arises in relation to shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, or who, following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the Takeover Code applies. In consultation with the Takeover Panel it has been agreed that each of Tim Wise, Craig Burton, Victor Bolduev, Roby Zomer, Yifat Steuer, Pavel Kobzev, Alex Brooks, Anthony Eastman, Brett Mitchell, William and Diane Mitchell and Michelle Mitchell who, together, will on Admission hold Ordinary Shares carrying 60.40 per cent. of the voting rights of the Company, are presumed to be acting in concert in relation to the Company.

When members of a concert party hold shares carrying more than 50 per cent. of the voting rights of a company, no obligations under Rule 9 of the Takeover Code normally arise from acquisitions of further interests in shares by any member of the concert party. The Concert Party who, in aggregate, will as at Admission hold Ordinary Shares carrying 60.40 per cent. of the voting rights of the Company, may

accordingly increase their aggregate interests in Ordinary Shares without incurring any obligation under Rule 9 of the Takeover Code to make a general offer, although individual members of the Concert Party will not be able to increase their percentage interests in Ordinary Shares through or between a Rule 9 threshold without the consent of the Takeover Panel.

The members of the Concert Party will, on Admission, hold the following shareholdings in the Company on the basis of beneficial ownership:

<i>Member of the Concert Party</i>	<i>Percentage of Enlarged Share Capital on Admission (%)</i>	<i>Number of Options held by the Concert Party at Admission</i>	<i>Percentage of Enlarged Share Capital if Options held by the Concert Party were exercised (%)*</i>
Victor Bolduev	29.26	2,200,000	28.33
Roby Zomer	5.01	1,700,000	6.00
Yifat Steuer	0.18	1,673,611	1.62
Anthony Eastman	2.22	1,400,000	3.22
Pavel Kobzev	1.30	1,600,000	2.57
Alex Brooks	0.40	1,000,000	1.24
Brett and Michelle Mitchell	7.34	600,000	7.15
William and Diane Mitchell	1.04	–	0.94
Tim Wise	0.26	500,000	0.67
Craig Burton	13.39	–	12.09
TOTAL	60.40	10,673,611	64.09

*Assuming that (i) no Options or Warrants are exercised other than Options held by the Concert Party; (ii) no Ordinary Shares are otherwise issued following Admission; (iii) and there is no buyback of Ordinary Shares by the Company.

On Admission, the Concert Party will hold Ordinary Shares carrying 60.40 per cent. of the voting rights of the Company. Certain members of the Concert Party will, on Admission, hold such number of Options as is set out in the table above. The Takeover Panel has however confirmed that, through disclosure in this document, any obligation on any member of the Concert Party to make a Rule 9 Offer that would otherwise arise as a result of the exercise of any of their respective Options is waived.

The Board is aware of the relevant implications of the presence of the Concert Party but are of the view that no further formal arrangements are needed to be established. The Board understand the implications of the Rule 9 of the Takeover Code, as set out above and are of the view that considering the size, nature and strategy of the Group that no further action is required at this stage.

26. SHARE INCENTIVE PLANS

The Board recognises the importance of share participation as a mechanism for recruiting, incentivising and rewarding Executive and Non-Executive Directors and employees. Details of the awards and options over Ordinary Shares granted to Directors, the Senior Manager and certain consultants, which take effect from Admission, are set out in paragraph 11.3 of Part 11 of this Document (*Additional Information*).

Conditional upon Admission, the Company has established, and the Board has adopted, the following share incentive plans, under which rights over Ordinary Shares will be granted:

LTIP

Pursuant to the LTIP, subject to its rules, the Company may grant an award to any employee of the Group. An award may take the form of a conditional share award, a market value option, a nil cost option, a nominal cost option or a phantom option. Options granted under the LTIP ("**LTIP Options**") may be on materially similar terms to those applying to EMI Options, outlined below, except without having to conform absolutely

to the requirements of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 ("**Schedule 5**") ("**EMI Options**").

The Company may not grant an award which does not comply with the director's remuneration policy. An award is granted by an award certificate being executed by the Company issued to the employee.

One or more performance will be specified for each award, which may be varied by the Board in certain customary circumstances. The awards may be subject to an employment period, holding period and performance period, of 3 years.

The Company may not grant an award if the total number of options or awards under any Company option scheme exceeds 15 per cent. of the fully diluted share capital of the Company.

The LTIP includes customary claw back conditions, lapse and termination conditions, accelerated exercise on a takeover or liquidation of the Company and may impose a hold period of up to 5 years from the date of grant in respect of Ordinary Shares arising on the exercise of options.

EMI Plan

Operation

The EMI Plan provides for the grant of tax advantaged EMI Options in accordance with the requirements of Schedule 5.

Grant of options

EMI Options shall be granted by the Company (or the grantor of the option as so named in the relevant option certificate). The Directors may grant options to subscribe or procure the grant of options to purchase existing Ordinary Shares. The option shall be evidenced by the issue of an option certificate to which each option holder shall be a party (the "**Option Certificate**").

General rights

No payment is required for the grant of an EMI Option. EMI Options are not transferable, except on death. EMI Options are not pensionable.

Eligibility

The Directors have absolute discretion as to the selection of persons to whom options may be granted and an EMI Option may only be granted to an employee. An option intended to qualify as an EMI Option may only be granted to an employee (including an executive director) of the Company or of the Group whose committed time amounts to at least 25 hours a week or if less, 75 per cent. of his working time and has no material interest in any company in the Group ("**EMI Eligible Employee**").

EMI Plan limits

No EMI options shall be granted if such grant would cause the limit of £3 million on the value of Ordinary Shares subject to any unexercised EMI Options, or such other limit as is specified in paragraph 7 of Schedule 5 from time to time, to be exceeded.

Timing of grants

The Directors may at any time following Admission grant EMI Options, except that the Company may not grant EMI Options during a closed period or after the tenth anniversary of the adoption date.

Exercise price

The Directors shall specify the exercise price at the date of grant of an EMI option and shall not be less than the nominal value of an Ordinary Share.

Performance targets and exercise conditions

An EMI Option may be granted subject to either, or both, time and performance targets as the Directors shall determine.

An EMI Option may be granted on terms that different proportions of the shares under option shall respectively become exercisable if the option holder holds continuous employment within the Group throughout such different periods, beginning with the date of grant, as the Directors shall specify in the Option Certificate.

An EMI Option may be granted on terms that the extent to which it may be exercised shall depend upon the extent to which one or more performance targets specified in the Option Certificate is attained.

Vesting of options

It is intended that EMI Options will normally vest and become exercisable on the second anniversary of grant or, if earlier, when the Directors determine the extent to which any performance targets have been satisfied.

Taxation and national insurance contributions (“NICs”)

An option holder shall indemnify the Company and, if different, the option holder’s employer in respect of any amount of, or representing, income tax or NICs (which may include Employer’s NICs) which may arise on the exercise or release of, or the acquisition of Shares pursuant to, an EMI Option.

As a condition of exercise, an option holder shall, if the Directors so determine, agree with, and undertake to the Company and, if different, the option holder’s employer that:

- (i) the option holder’s employer may recover from the option holder the whole or any part of any employer’s NICs payable in consequence of the exercise; and
- (ii) the option holder shall, if requested by the Company, join with the option holder’s employer in making an election for the transfer to the option holder of the whole, or such part as the Company may determine, of any liability to employer’s NICs payable in consequence of the exercise.

Leaving employment

As a general rule, an EMI Option will normally lapse upon an option holder ceasing to hold employment within the Group. If, however, the option holder ceases to be an employee or a director of the Group because of his or her injury, ill-health or disability then he or she shall be entitled to retain his or her option to the extent vested and exercise the option in accordance with the terms of the Option Certificate.

Corporate events

In the event of a change of control of the Company (not being an internal corporate reorganisation), all options may be exercised to the extent vested (or such greater number as the Directors may determine) within the period ending 90 days beginning with the date of such change of control and shall otherwise lapse and cease to be exercisable at the end of that period.

If the Directors anticipate that a change of control may occur, the Directors may invite option holders to exercise their Options to the extent vested (or such greater number as the Directors may determine) within such period preceding such change of control as the Directors may specify and, if an option is not then exercised, then, unless the Directors otherwise determine, such option shall lapse and cease to be exercisable at the end of that period. If at any time after the Company has come under the control of any person (or persons acting in concert), and any person becomes entitled or bound to acquire Ordinary Shares under sections 979-982 (inclusive) of the Companies Act 2006, options may be exercised to the extent vested (or such greater number as the Directors may determine) during any period in which that person remains so entitled or bound and shall lapse and cease to be exercisable at the end of that period.

In the event of an internal corporate reorganisation, EMI Options may be replaced by equivalent new options over shares in a new holding company.

Variation of share capital

If the Company's ordinary share capital is altered by way of capitalisation or rights issue, sub-division, consolidation or reduction or in the event of a demerger, payment of a capital dividend or similar event, or if there is any other variation in the share capital of the Company, the Directors may make such adjustment as they consider appropriate:

- (i) to the aggregate number of Shares subject to any EMI Option; and/or
- (ii) to the exercise price of any EMI Option.

Alterations

The Directors may, at any time, amend the EMI Plan in any respect, provided that no alteration or addition shall be made to the advantage of existing or new option holders to the provisions concerning eligibility, limits and variation of share capital without the prior approval by ordinary resolution of the shareholders of the Company.

No alteration or addition shall be made to the material disadvantage of an option holder without the consent in writing of such option holder.

Advisers Plan

The Company has adopted the Advisers' Plan in order to accommodate the grant of option rights over Ordinary Shares to its non-executive directors and other non-employees who are providing services to the Company. The purpose of the Advisers' Plan is to provide the Company with a framework for the grant of rights over Ordinary Shares to such non-employees in a manner which can replicate in material respects the terms of non-tax qualifying options granted under the LTIP, but without prejudicing the employee share scheme status of those other plans.

27. FURTHER INFORMATION

You should read the whole of this Document, which provides additional information on the Group, Admission and the Fundraising, and not just rely on the information contained in this Part 8 of the Document (*Information on the Group*). In particular, your attention is drawn to Part 2 of this Document (*Risk Factors*).

PART 9

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Group's results of operations and financial condition during the period covered by the Historical Financial Information.

Historical results may not be indicative of future financial performance. Forward-looking statements contained in this review that reflect the current view of management involves risks and uncertainties and are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Forward-Looking Statements" and "Risk Factors". In this Document the consolidated financial statements presented are those of the Group. This discussion is based on the consolidated financial statements of the Group and should be read in conjunction with its consolidated financial statements and the accompanying notes contained in the Appendix to this Document, as referred to in Part 2 of this Document (*Risk Factors*) and with the information relating to the business of the Group included elsewhere in this Document. Unless otherwise indicated, all of the financial data and discussions thereof are based upon financial statements prepared in accordance with IFRS. Investors should read the whole of this Document and not rely just on summarised information.

Overview

The Company was incorporated in England and Wales on 18 May 2017 with its 100 per cent. owned subsidiary companies, Graft Polymer d.o.o. and Graft Polymer IP Limited incorporated in Slovenia on 28 September 2017 and England and Wales on 25 January 2021 respectively. The Group was formed as a specialty chemical business with an extensive portfolio of modified polymer solutions based on proprietary production methods.

The Company has established its development and production facilities in Slovenia, having commissioned the facilities in May 2018, and 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. Additionally, the Group launched a new drug delivery system division for med-tech product developments.

In late 2018, the Group began its first commercial sales to various polymer compounders in the automotive, packaging, construction, consumer products, clothing, aerospace, healthcare and medical markets. In 2020, the Group launched a new med-tech DDS division (GraftBio), to create IP and innovative technologies for upgrading delivery systems, to support and provide solutions to the market that has been heavily impacted by the COVID-19 pandemic, accelerating growth in the infectious diseases segment of the industry.

Principal risk and uncertainties

The principal risks and uncertainties that may have an effect on the operational and financial performance of the Group are detailed in Part 2 of this Document (*Risk Factors*).

Key factors and trends affecting Graft Polymer Group's results of operations, production, financial condition, revenue and profitability

The results of the Group have been and will continue to be affected by many factors, some of which are beyond the control of the Group. This section sets out some key factors the Directors believe have affected Group's financial performance, by referring to the year on year movements on the Group's financials.

1. Revenue and Gross Profit

	<i>6 Months to 30 Jun 21 £'000</i>	<i>7 Months to 31 Dec 20 £'000</i>	<i>Year to 31 May 20 £'000</i>	<i>Year to 31 May 19 £'000</i>	<i>Year to 31 May 18 £'000</i>
Sales revenue	226	403	330	29	–
Cost of goods sold	(82)	(30)	(46)	(13)	–
Gross profit / (loss)	<u>144</u>	<u>373</u>	<u>284</u>	<u>16</u>	<u>–</u>
Gross profit margin (%)	63.72	92.55	86.06	55.17	–

Sales revenue has increased on a continual basis during the three-year period as a result of the increase in operations and product range introduced by the Group. Additionally, in 2020 and continuing into the seven months to 31 December 2020, the Group provided R&D services on the development of drug delivery systems for clients, which had minimal cost of sales associated with it, but rather management time, hence the sharp increase in gross margin from 2019 to 2020 / seven months to 31 December 2020 which continued into the six months to 30 June 2021, albeit a tail off on the quantum of revenue generated from the R&D services provided by clients during this period.

Alongside an increase in sales revenue for the seven-month period to 31 December 2020 the Group has also seen a small increase in the Group's average selling prices across the last three years and seven months, continuing into the six months to 30 June 2021, and since the end of the last financial period to the date of this Document. Despite an increase in operational costs, the Group has kept increases to selling prices to a minimum to ensure the Group remains competitive.

2. Operational and Research Expenditure

	<i>6 Months to 30 Jun 21 £'000</i>	<i>7 Months to 31 Dec 20 £'000</i>	<i>Year to 31 May 20 £'000</i>	<i>Year to 31 May 19 £'000</i>	<i>Year to 31 May 18 £'000</i>
Operational expenditure	<u>(137)</u>	<u>(88)</u>	<u>(240)</u>	<u>(196)</u>	<u>(21)</u>

The increase in operational expenditure year on year is reflective of the increase in production following the commissioning of the plant in May 2018. This trend has continued since the end of the last financial period to the date of this registration Document. The majority of these costs are related to cost of materials that are being used in providing various samples to clients and internal product development. Over the three years and seven months and continuing for the 6 months to 30 June 2021 the Group has seen an increase in potential clients that have been trialling the Group's products from initial small laboratory samples used for testing, growing into larger commercial samples, hence this is reflective of the increase in operational costs year on year on period. The reduction on an annualised basis for the seven months to 31 December 2020 relates in part to the impact that COVID-19 had on operations during that period, but saw an increase in the 6 months to 30 June 2021 as operations increased as potential clients increased their operations as the impact of COVID-19 lessened during this period.

3. General Administration Costs

	<i>6 Months to 30 Jun 21 £'000</i>	<i>7 Months to 31 Dec 20 £'000</i>	<i>Year to 31 May 20 £'000</i>	<i>Year to 31 May 19 £'000</i>	<i>Year to 31 May 18 £'000</i>
Administration expenditure	<u>(365)</u>	<u>(367)</u>	<u>(396)</u>	<u>(438)</u>	<u>(465)</u>

Administrative expenditure has been relatively flat year on year, with a slight decrease across the years. The majority of the costs within administrative expenditure relate to director / employee costs and professional and consulting fees. The director/employee costs have increased year on year (Year to 31 May 2018: £122k / Year to 31 May 2019: £210k / Year to 31 May 2020: £291k / Seven months to 31 Dec 2020: £167k / Six months to 30 Jun 2021: £166k) which is reflective of the increase in employees within the Group to assist in the expansion of operations. There has been a corresponding decrease in professional and

consulting fees year on year other than the seven months to 31 December 2020 and continuing into the six months to 30 June 2021 which has seen an increase due to the engagement of professionals and consultants with respect to the Group's pursuit of an LSE listing (Year to 31 May 2018: £206k / Year to 31 May 2019: £122k / Year to 31 May 2020: £64k / Seven months to 31 Dec 2020: £184k / Six months to 30 Jun 2021: £120k). This is reflective of consultants and professional advisors that were engaged on the initial 'transaction' of the Group and establishment of the production facilities. There was an annualised increase in the administrative expenses for the seven months ending 31 December 2020 and six months ending 30 June 2021 due to advisory and consulting expense in relation to the proposed listing of the Group in the UK of £121,000 and £96,000 respectively. When normalised for these costs, administration expenditure is in line with the previous year.

4. Depreciation and finance costs

	6 Months to 30 Jun 21 £'000	7 Months to 31 Dec 20 £'000	Year to 31 May 20 £'000	Year to 31 May 19 £'000	Year to 31 May 18 £'000
Depreciation expenditure	(45)	(71)	(114)	(69)	(8)
Finance costs	(5)	(7)	(72)	(16)	–
	<u>(50)</u>	<u>(78)</u>	<u>(186)</u>	<u>(85)</u>	<u>(8)</u>

The depreciation expenditure comprises both depreciation on the right of use assets created through the adoption of IFRS16: Leases and fixed asset depreciation on the useful life of the property, plant and equipment. IFRS16 depreciation across the years were 2018: £8k / 2019: £37k / 2020: £37k / 7 months to 31 Dec 2020: £22k / 6 months to 30 Jun 2021: £5k, with the balance being 'regular' depreciation recorded post plant commissioning in May 2018.

The increase in finance costs is a result of interest incurred on the convertible loans that were received during the year ending May 2019 and being incurred for the full year ending 31 May 2020. It is noted that subsequently, during the seven months period to 31 December 2020, the terms of the convertible loans were renegotiated, with the interest component being waived. The residual finance costs for the seven months ended 31 December 2020 and six months ended 30 June 2021 relating to the lease liability finance charge being recognised under IFRS 16: Leases.

Selected audited consolidated financial information

Results of operations liquidity and capital resources

The Group's primary sources of liquidity have been from initial equity contributions which was then followed by convertible loan funding, which immediately prior to Admission will be converted into new Ordinary Shares. The primary use of this liquidity is to fund the Group's operations, as detailed above. As at the date of this Document, the Group had no financial indebtedness other than the convertible loan notes and trade and other payables.

Statement of Cash flows

	6 Months to 30 Jun 2021 £'000	7 Months to 31 Dec 2020 £'000	Year to 31 May 2020 £'000	Year to 31 May 2019 £'000	Year to 31 May 2018 £'000
Cash flow from operating activities					
Operating loss – continuing operations	(407)	(160)	(538)	(703)	(494)
<i>Adjustments for:</i>					
Depreciation	45	71	114	69	8
Waiver of interest on convertible loans	–	(77)	–	–	–
Finance expenses	5	7	72	16	–
Foreign exchange loss	5	–	2	16	89
<i>Changes in working capital:</i>					
Decrease / (increase) in trade and other receivables	10	(43)	8	43	(59)

	6 Months to 30 Jun 2021 £'000	7 Months to 31 Dec 2020 £'000	Year to 31 May 2020 £'000	Year to 31 May 2019 £'000	Year to 31 May 2018 £'000
Increase / (decrease) in trade and other payables	168	205	150	(1)	43
Net cash inflow/ (outflow) from operating activities	(179)	1	(192)	(560)	(413)
Cash flow from investing activities					
Payment of lease liability	(16)	-	-	-	-
Purchase of property, plant and equipment	-	(16)	(8)	(20)	(516)
Net cash inflow / (outflow) from investing activities	-	(16)	(8)	(20)	(516)
Cash flows from financing activities					
Proceeds from the issue of share capital, net of issue costs	-	-	-	-	1,332
Proceeds from borrowings	134	199	128	328	-
Net cash inflow from financing activities	150	199	128	328	1,332
Net increase / (decrease) in cash and cash equivalents	(43)	185	(72)	(252)	403
Cash and cash equivalents at beginning of period	209	25	90	339	-
Foreign exchange impact on cash	(10)	-	7	3	(64)
Cash and cash equivalents at the end of the period	154	209	25	90	339

Net cashflow from operating activities

There has been a decrease in net cash outflow from operating activities over the three years and seven month period due primarily to the increase in receipts from customers as evidenced in the increase in revenues year on year and adjusted for the movement in working capital as seen above. During the six months to 30 June 2021, the operating cash outflows increased as a result of the decrease in revenue when compared with the seven months to 31 December 2020.

Net cashflow from investing activities

All of the equipment needed to establish the Slovenian production and development facilities were purchased in the year ending 31 May 2018, and subsequently there has been small capital expenditure to complement the existing facilities, as can be seen in the marked reduction in cash outflow from investing activities year on year.

Net cashflows from financing activities

Financing

The Group was initially financed by a seed capital raising which saw the Group receive £1,332k in funding, net of expenses. Subsequently, the Group has raised net proceeds of £655k from convertible loan financing, with the majority provided by existing shareholders. All of the convertible debt is to be converted into equity of the Company upon Admission. During the six months to 30 June 2021, the Group raised an additional £150k from convertible loan financing along with an additional £150k subsequent to the period end, all of which is to be converted into equity in the Group upon Admission.

Capital expenditures

The primary capital expenditure of the Group is in relation to the establishment of the production and development facilities in Slovenia during early 2018, with additional small items of plant and equipment being acquired in order to support these facilities.

Statement of Financial Position

The following table summarises the Group's financial position over the past three years.

	30 Jun 2021 £'000	31 Dec 2020 £'000	31 May 2020 £'000	31 May 2019 £'000	31 May 2018 £'000
Non-current assets					
Property, plant and equipment	356	415	448	510	518
Intangible assets	2,068	2,068	2,068	2,068	2,068
Other non-current assets	13	13	13	13	13
Right of use asset	–	5	27	64	100
Total non-current assets	2,437	2,501	2,556	2,655	2,699
Current assets					
Cash and cash equivalents	154	209	25	90	339
Trade and other receivables	49	55	12	17	59
Total current assets	203	264	37	107	398
TOTAL ASSETS	2,640	2,765	2,593	2,762	3,097
Equity attributable to owners of the parent					
Issued share capital	7	7	7	7	7
Share premium	942	942	3,442	3,442	3,442
Capital reduction reserve	2,500	2,500	–	–	–
Foreign exchange reserve	(20)	(12)	(11)	(10)	(10)
Accumulated losses	(2,302)	(1,895)	(1,735)	(1,197)	(494)
Total equity	1,127	1,542	1,703	2,242	2,945
Non-current liabilities					
Lease liability	–	–	–	24	71
Total non-current liabilities	–	–	–	24	71
Current liabilities					
Borrowings	806	656	534	343	–
Trade and other payables	707	541	319	115	50
Lease liability	–	26	37	38	31
Total current liabilities	1,513	529	890	396	81
Total liabilities	1,513	1,223	890	420	152
TOTAL EQUITY AND LIABILITIES	2,640	2,765	2,593	2,762	3,097

(a) *Property, Plant and Equipment*

	30 Jun 2021 £'000	31 Dec 2020 £'000	31 May 2020 £'000	31 May 2019 £'000	31 May 2018 £'000
Plant and equipment movement					
Opening balance at 1 June	415	448	510	518	–
Additions	–	16	8	20	517
Depreciation	(40)	(49)	(80)	(32)	–
Foreign currency translation reserve	(19)	–	10	4	1
	356	415	448	510	518

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The majority of the balance in property, plant and equipment relates to the facilities in Slovenia that were commissioned in May 2018, with the net increase in plant and equipment over the periods primarily relating to small additions towards the property, plant and equipment acquired to support these facilities.

(b) *Intangible assets*

Intangible assets in the Group relates to the issue of 22,500,000 shares to founding director Victor Bolduev on the acquisition of his know-how during the year ended 31 May 2018. At each year end, the Directors assess the intangible assets for any indicators of impairment and have concluded no presence of such indicators, hence concluded that no impairment charge was necessary during the periods under review.

(c) *Other non-current / right of use assets*

Other non-current assets relate to the rental deposits for the Slovenia facilities, whilst the right of use asset relates to these facilities and the recognition of these facilities as required by IRFS 16 – Leases.

(d) *Cash and cash equivalents*

The movements in the cash balance relate to timing of financing and the investment cycle of the Group. These are discussed in more detail in the cashflow section above.

(e) *Trade and other receivables*

Trade and other receivables comprise the following balances over the period:

	30 Jun 2021 £'000	31 Dec 2020 £'000	31 May 2020 £'000	31 May 2019 £'000	31 May 2018 £'000
Trade receivables	6	3	3	1	–
Prepayments and accrued income	–	–	–	2	36
Other receivables	43	52	9	14	23
	<u>49</u>	<u>55</u>	<u>12</u>	<u>17</u>	<u>59</u>

(f) *Borrowings*

The borrowings relate to the convertible loan financing that the Group received in 2019 and 2020 along with the associated accrued interest. In the seven months to 31 December 2020, the interest component was waived on the convertible loan notes. An additional £150k in convertible loan financing was received by the Group subsequent to 30 June 2021.

(g) *Trade and other payables*

	30 Jun 2021 £'000	31 Dec 2020 £'000	31 May 2020 £'000	31 May 2019 £'000	31 May 2018 £'000
Trade payables	400	314	191	71	39
Accruals	275	194	119	41	3
Other payables	32	33	9	3	8
	<u>707</u>	<u>541</u>	<u>319</u>	<u>115</u>	<u>50</u>

The increase in trade payable and accruals are in line with the increase in operational, corporate and general spend across the Graft Polymer Group as detailed above.

(h) *Lease liabilities*

Lease liabilities relates to the treatment of the lease on the Slovenia facilities as required by IFRS16 – Leases, with the corresponding initial right of use assets recorded as per above. The reduction in the lease liability has been reflective of the actual lease payment made over the various periods.

(i) *Contributed equity*

	<i>30 Jun</i> <i>2021</i> £'000	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
Share capital	7	7	7	7	7
Share premium	942	942	3,442	3,442	3,442
Capital reduction reserve	2,500	2,500	–	–	–
	<u>3,449</u>	<u>3,449</u>	<u>3,449</u>	<u>3,449</u>	<u>3,449</u>
	<i>30 Jun</i> <i>2021</i>	<i>31 Dec</i> <i>2020</i>	<i>31 May</i> <i>2020</i>	<i>31 May</i> <i>2019</i>	<i>31 May</i> <i>2018</i>
Total shares on issue	<u>70,000,000</u>	<u>70,000,000</u>	<u>68,000,000</u>	<u>68,000,000</u>	<u>68,000,000</u>

The movements in contributed equity reflect the issue of shares on incorporation of the company, seed capital raise and the acquisition of know-how from the Founder, along with trust shares issued associated with the acquisition and seed capital raise. In the seven months to 31 December 2020, the Company transferred £2,500,000 from the share premium account to the capital reduction reserve following shareholder approval and issued 2,000,000 trust shares connected to the convertible loans received during the years ended 31 May 2019 and 31 May 2020 which are to be allocated on the same milestones as the previously issued trust shares.

(j) *Disclosure about market risk*

The risks to which the Group are subject to are considered in Part 2 of this Document (*Risk Factors*).

There have been no restrictions on the use of the capital resources of the Company that have materially affected, or could materially affect, directly or indirectly, the Company's the operations.

PART 10
CAPITALISATION AND INDEBTEDNESS

The following table shows the Group's capitalisation and indebtedness as at 30 June 2021 and has been extracted without material adjustment from the unaudited interim financial information.

<i>Total Current Debt</i>	(£'000)
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	(1,513)
Total Non-Current Debt	
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–
 <i>Shareholder Equity</i>	 (£'000)
Share Capital	7
Share Premium	942
Reserves	2,480
Total	3,429

As at the date of the publication of this prospectus, there has been no material change in the capitalisation of the Group since 30 June 2021 other than £150,000 of the Third Tranche Loan Notes being received in July 2021 (the initial £150,000 having been received in June 2021).

The following table sets out the unaudited net funds of the Group as at 30 September 2021 and has been extracted without material adjustment from the unaudited management accounts of the Group.

	(£'000)
A. Cash	178
B. Cash equivalent	–
C. Trading securities	–
D. Liquidity (A) + (B) + (C)	<u>178</u>
E. Current financial receivable	51
F. Current bank debt	–
G. Current portion of non-current debt	(972)
H. Other current financial debt	(736)
I. Current Financial Debt (F) + (G) + (H)	<u>(1,708)</u>
J. Net Current Financial Indebtedness (I) - (E) - (D)	(1,479)
K. Non-current Bank loans	–
L. Bonds Issued	–
M. Other non-current loans	–
N. Non-current Financial Indebtedness (K) + (L) + (M)	–
O. Net Financial Indebtedness (J) + (N)	<u>(1,479)</u>

As at 30 September 2021, the Group had no indirect or contingent indebtedness.

As at the date of the publication of this prospectus, there has been no material change in the indebtedness of the Group since 30 September 2021.

PART 11

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1 The Company and each of the Directors, whose names and principal functions appear in Part 7 of this Document (*Directors, Secretary, Registered and Head Office and Advisers*), accept responsibility for the information contained in this Document. To the best of the knowledge of the Company and the Directors, the information contained in this Document is in accordance with the facts and this Document makes no omission likely to affect its import.

2. THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales on 18 May 2017 under the Companies Act as a private limited company with the name Graft Polymer (UK) Ltd and registered number 10776788.
- 2.2 The Company re-registered as a public limited company with the name Graft Polymer (UK) Plc on 1 July 2021.
- 2.3 The liability of the Company's members is limited to the amount, if any, unpaid on the Ordinary Shares.
- 2.4 The Company operates in conformity with its Articles and is duly authorised by its Articles in respect of Admission.
- 2.5 The principal legislation under which the Company operates with conformity is the Companies Act and the regulations made thereunder.
- 2.6 The Company's registered office and principal place of business is located at Victoria Eccleston Yards, 25 Eccleston Place, London, United Kingdom, SW1W 9NF, London, United Kingdom. The telephone number of the Company's registered office and principal place of business is +44 20 4524 9900. The operations of the Group are primarily located at Mejaceva ulica 2, 1353, Borovnica, Slovenia.
- 2.7 The Company's website is <https://graftpolymer.com/>.
- 2.8 The Company has no administrative, management or supervisory bodies, other than the Board and two committees of the Board, being the Remuneration Committee and the Audit Committee.
- 2.9 The Company's principal activity following Admission will be to act as the holding company of the Group, with the principal business of the Group being the development of polymer modification technology.

3. THE GROUP

- 3.1 The Company is the ultimate holding company of the Group. The following table contains details of the Company's subsidiaries, direct and indirect, as at the date of this Document and immediately following Admission:

<i>Name</i>	<i>Country of incorporation</i>	<i>Registered office</i>	<i>Activity</i>	<i>Ownership interest</i>
Graft Polymer IP Limited	England & Wales	Eccleston Yards 25 Eccleston Place London SW1W 9NF United Kingdom	Intellectual Property holding company	100% (direct)
Graft Polymer Slovenia	Slovenia	Mejaceva ulica 2, 1353, Borovnica, Slovenia	Operating company of the Group	100% (direct)

4. SHARE CAPITAL

- 4.1 The issued share capital of the Company on incorporation was £450 made up of 4,500,000 ordinary shares of £0.0001. No shares of the Company are held in treasury.
- 4.2 The changes to the issued share capital of the Company during the period covered by the Historical Financial Information have been as follows:
- (i) on 6 September 2017: (i) a further 63,500,000 Ordinary Shares of £0.0001 each were allotted in the Company at nominal value. Of these 63,500,000, Ordinary Shares, 15,000,000 Ordinary Shares were allotted at a price of £0.0919 per share (being a premium of £0.0918 per share) for cash, 22,500,000 Ordinary Shares were allotted at a price of £0.0919 (being a premium of £0.0918 per share) for the acquisition of know-how, 8,000,000 Ordinary Shares were issued at nominal value to advisors for the facilitation of the acquisition of know-how and of which 18,000,000 Ordinary Shares were issued at nominal value to the Trustee to be held in trust, meaning that the issued share capital of the Company following these allotments on 6 September 2017 was £6,800 made up of 68,000,000 Ordinary Shares of £0.0001 each. Pursuant to the terms of a deed of trust, it was agreed that the Trustee would transfer the title to the shares held by way of trust to the Beneficiary Shareholders upon certain financial milestones having been achieved by the Company. These milestones consisted of an aggregate of 10 million Ordinary Shares to be transferred to the Beneficiary Shareholders on generation by the Group of €1,000,000 in revenue during a 12-month period; and an aggregate of 10 million Ordinary Shares to be transferred to the Beneficiary Shareholders on generation by the Group of €5,000,000 in revenue during a 12-month period;
 - (ii) on 30 November 2020, the Company allotted a further 2,000,000 Ordinary Shares to the Trustee to increase its share capital to 70,000,000 Ordinary Shares of £0.0001 each (an aggregate nominal value of £7,000);
 - (iii) on 8 March 2021, having conducted a capital reduction, effective 25 February 2021 in order to increase the Company's share premium reserve, the Company carried out a bonus issue of 9 Ordinary Shares for every 1 Ordinary Share held by existing Shareholders ("**Bonus Issue**"). This resulted in a further 630,000,000 Ordinary Shares of £0.0001 each being issued to Shareholders in line with their proportionate shareholdings at this time and the share capital temporarily being 700,000,000 Ordinary Shares of £0.0001 each (an aggregate nominal value of £70,000). Immediately following the Bonus Issue, as part of the same shareholder resolution process, the Company consolidated the issued share capital so that the number of shares in issue reduced from 700,000,000 to 70,000,000 Ordinary Shares but the nominal value of each increased from £0.0001 to £0.001, retaining an aggregate nominal value of £70,000 for the issued share capital.
- 4.3 By mutual agreement between the Trustee, the Company and the Beneficiary Shareholders, the Trustee transferred the legal right to such shares to the Beneficiary Shareholders on 5 December 2021, notwithstanding that the milestones had not been achieved. The deed of trust was terminated on the same date.
- 4.4 The Warrants, if exercised in full, would result in the issue of an aggregate of 2,031,008 new Ordinary Shares. Further information on the Warrant Instrument and Third Tranche Warrant Instrument is set out in paragraph 16.9 and 16.11 respectively of this Part 11.
- 4.5 Pursuant to the terms of the First Tranche Loan Notes, the Company issued loan notes with an aggregate value of €515,515 which will convert into Ordinary Shares immediately prior to Admission and which will result in an aggregate of 5,155,150 Ordinary Shares being issued to the First Tranche Noteholders. Further information on the First Tranche Loan Notes can be found at paragraph 16.6 of this Part 11.
- 4.6 Pursuant to the terms of the Second Tranche Loan Notes, the Company issued loan notes with an aggregate value of £197,000 which will convert into Ordinary Shares immediately prior to Admission and which will result in an aggregate of 1,145,349 Ordinary Shares being issued to the Second Tranche Noteholders. Further information on the Second Tranche Loan Notes can be found at paragraph 16.7 of this Part 11.

4.7 Pursuant to the terms of the Third Tranche Loan Notes, the Company issued loan notes with an aggregate value of £300,000 which will convert into Ordinary Shares immediately prior to Admission and which will result in an aggregate of 1,647,287 Ordinary Shares being issued to the Third Tranche Noteholders. Further information on the Third Tranche Loan Notes can be found at paragraph 16.8 of this Part 11.

4.8 The Fundraising comprises 23,255,813 Ordinary Shares. Participation in the Fundraising is not open to the public. Existing Shareholders will experience a 48.71 per cent. dilution as a result of (a) the issue of 7,947,786 new Ordinary Shares following the conversion of the Convertible Loan Notes and the issue of 2,893,701 new Ordinary Shares pursuant to a capitalisation of the Accrued Fees, in each case immediately prior to Admission; and (b) the issue of the Placing Shares and the Subscription Shares on Admission (that is, an Existing Shareholder's proportionate interest in the Company will decrease by 48.71 per cent.).

4.9 The issued, fully paid, share capital of the Company as at the Last Practicable Date is:

	<i>Number</i>	<i>Nominal Value</i>
Ordinary Shares	70,000,000	£70,000

4.10 Following conversion of the Convertible Loan Notes, the capitalisation of the Accrued Fees and the issue of the Placing Shares and Subscription Shares, the issued, fully paid, share capital of the Company, immediately following Admission, is expected to be as follows:

	<i>Number</i>	<i>Nominal Value</i>
Ordinary Shares	104,097,299	£104,097

4.11 On Admission, it is expected that approximately 25.07 per cent. of the Ordinary Shares in issue will be held in public hands (within the meaning of Listing Rule 14.2.2(4)).

4.12 Save as disclosed in paragraphs 4.1 to 4.10 (inclusive) of this Part 11:

- (i) no share or loan capital of the Company has been issued or is proposed to be issued;
- (ii) there are no Ordinary Shares in the Company not representing capital or that are not fully paid up;
- (iii) there are no shares in the Company held by or on behalf of the Company itself;
- (iv) there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
- (v) there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company and the Company has made no undertaking to increase its share capital;
- (vi) no person has any preferential or subscription rights for any share capital in the Company; and
- (vii) no share or loan capital of the Company is under option and the Company has not agreed conditionally or unconditionally to put any share or loan capital of the Company under option.

5. SECURITIES BEING ADMITTED

5.1 The Ordinary Shares are ordinary shares of £0.001 each in the capital of the Company, issued in British Pounds Sterling.

5.2 The International Security Identification Number (ISIN) of the Ordinary Shares is GB00BMD1Z199 and the Stock Exchange Daily Official List (SEDOL) number will be BMD1Z19.

5.3 The Ordinary Shares will be in registered form. They will be capable of being held in certificated form or in uncertificated form in CREST. The Company's registrars are Share Registrars Limited.

- 5.4 The voting and dividend rights attaching to the Ordinary Shares are set out in paragraphs 9.2 and 9.13 respectively of this Part 11.
- 5.5 Section 561 of the Companies Act gives the Shareholders rights of pre-emption in respect of allotments of securities which are or are able to be paid up in cash (other than by way of allotments to employees pursuant to an employee share scheme as defined under section 1166 of the Companies Act). Subject to limited exceptions and to the extent authorised pursuant to the resolutions of the Shareholders described in paragraph 5.8 below of this Part 11, unless Shareholders' approval is obtained in a general meeting of the Company, the Company must normally offer Ordinary Shares which are to be issued for cash to existing shareholders *pro-rata* to their shareholdings.
- 5.6 Each Ordinary Share will be entitled, on a *pari passu* basis with all other issued Ordinary Shares, to share in any surplus on a liquidation of the Company.
- 5.7 The Ordinary Shares have no redemption or conversion rights.
- 5.8 The Shareholders have irrevocably given authority to the Directors to allot, and have unconditionally waived any rights of pre-emption as Shareholders pursuant to Companies Act 2006, with respect to the grant of rights over or the issue of Ordinary Shares:
- (i) up to an aggregate nominal amount of £100,000 in connection with the Placing;
 - (ii) up to an aggregate nominal amount of £10,000 in connection with the grant of the TPI Warrants;
 - (iii) up to an aggregate nominal amount of £12,000 in connection with the grant of options, pursuant to the terms of the Company's share options schemes to be established conditional on Admission;
 - (iv) up to an aggregate nominal amount of £21,033.12 in connection with the grant of Ordinary Shares for the Company's general purposes and in connection with the Third Tranche Warrants;
 - (v) up to an aggregate nominal amount of £10,000 in connection with the allotment and issue of Ordinary Shares in satisfaction of the Accrued Fees; and
 - (vi) up to an aggregate nominal amount of up to £7,712 in connection with each of the First Tranche Loan Notes, the Second Tranche Loan Notes and the Third Tranche Loan Notes,
- provided that such authorities shall expire on the earlier of the conclusion of the next annual general meeting of the Company after the passing of this resolution or the date falling 12 months from the passing of this waiver and consent (unless renewed, varied or revoked by the Company prior to or on that date) and save that the Company may, at any time before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot shares and grant rights in pursuance of such an offer or agreement as if the authority conferred by the resolutions had not expired.
- 5.9 By way of special resolution passed on 21 June 2021, pursuant to Part 2 of Chapter 13 of the Companies Act, the Shareholders resolved to re-register the Company as a public company.

6. TAKEOVERS

- 6.1 The Takeover Code applies to the Company. Rule 9 of the Takeover Code ("**Rule 9**") therefore applies to any person, or group of "persons acting in concert" (as defined in the Takeover Code), who acquires, whether by a series of transactions over a period of time or not, an interest in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of the Company. It would also apply to any person who, together with persons acting in concert with him, is already interested in shares which in aggregate carry not less than 30 per cent. (but not more than 50 per cent.) of the voting rights of the Company if that person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested. Where Rule 9 applies, the person or concert party group is normally required by the Takeover Panel to make a general offer in cash to acquire from the other shareholders the remaining shares in the company at not less than the highest price paid by him or them within the preceding twelve months. Rule 9 is subject to a number of dispensations.

- 6.2 Under the Companies Act, a person who makes an offer to acquire shares in the Company (an “**offeror**”) may require Shareholders to transfer their shares to the offeror, on the terms of that offer, provided that the offer is approved or accepted by the holders of 90 per cent. or more of the shares to which the offer relates within three months of the last day on which the offer can be accepted. In order to enforce this right, the offeror must give notice to any Shareholder not approving or accepting the offer within certain time limits, notifying them of the offeror’s wish to acquire their shares in the Company (the “**Squeeze-out Notice**”). After the expiration of six weeks after the giving of the Squeeze-out Notice, the offeror can require that the Company registers the shares in their name provided that the consideration due to the holders of such shares is delivered to the Company to be held on trust for such Shareholders. The consideration offered to such Shareholders whose shares are acquired compulsory under the Companies Act must, in general, be the same as the consideration that was available under the offer.
- 6.3 The Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the shares, any holder of the shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.
- 6.4 No person has made a public takeover bid for the Company’s issued share capital in the financial period to 31 May 2020, or in the current financial year.
- 6.5 Under paragraph (9) of the definition of “acting in concert” in the Takeover Code, it is presumed (unless the contrary can be established) that a concert party arises in relation to shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, or who, following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the Takeover Code applies. In consultation with the Takeover Panel it has been agreed that each of Tim Wise, Craig Burton, Victor Bolduev, Roby Zomer, Yifat Steuer, Pavel Kobzev, Alex Brooks, Anthony Eastman, Brett Mitchell, William and Diane Mitchell and Michelle Mitchell is a member of the Concert Party who, on Admission, will hold Ordinary Shares carrying 60.40 per cent. of the voting rights of the Company are presumed to be acting in concert in relation to the Company.

7. DISCLOSURE OF INTERESTS

- 7.1 A shareholder in a public company incorporated in the UK whose shares are subject to Admission is required pursuant to Rule 5 of the Disclosure and Transparency Rules published by the FCA, to notify the Company of the percentage of his voting rights if the percentage of voting rights which he holds as a shareholder or through his direct or indirect holding of financial instruments reaches, exceeds or falls below certain thresholds.
- 7.2 Pursuant to Part 22 of the Companies Act and the Articles, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, interested in the Company’s shares, within a reasonable time to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares held by that person or in which such other person as aforesaid is interested.

8. CONTROL

- 8.1 To the best of the knowledge of the Company, there are no persons who at the date of this Document directly or indirectly control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company. Following Admission, the Concert Party will hold 60.40 per cent. of the share capital of the Company in issue at that time.
- 8.2 The Company is not aware of any arrangements which may at a subsequent date result in a change in control of the Company.

9. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Articles, as adopted by way of special resolution dated 21 June 2021, include provisions to the following effect:

9.1 Objects of the Company

Under the Act, the objects of the Company are unrestricted. The Articles do not specify any restrictions on the objects of the Company.

9.2 Voting Rights

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting, on a show of hands, every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, has one vote and, in the case of a poll, every member present in person or by proxy has one vote for every share of which he is the holder. No member is entitled to vote at a general meeting either personally or by proxy if he or any person appearing to be interested in shares held by him has been duly served with a notice under section 793 of the Act and is in default for the prescribed period in supplying to the Company the information required thereby or, unless the Directors determine otherwise, if any calls in respect of shares held by him have not been paid.

9.3 Notices of General Meetings

An annual meeting of the Company shall be called on 21 clear days' notice, that is excluding the date of deemed receipt of such notice and the date of the meeting. Any general meeting of the Company shall be called on 14 clear days' notice, subject, in either case to the Act. The Directors can call a general meeting at any time they think fit. The Company is required to send notice to members (except where the member is not entitled to such notice under the Articles or pursuant to any other restrictions imposed), the Company's Directors and Auditors. Notice will be sent to those registered in the register of members of the Company at such relevant time as is decided by the Directors in accordance with the Articles. The notice of annual general meeting or general meeting may include a time at which the member must be entered on such register in order to have the right to vote.

In the absence of a specific provision in the Articles, the quorum at meetings of the shareholders of the Company will be two persons, in accordance with section 318 of the Act.

9.4 Sanctions on Shareholders

Any member representing 0.25 per cent. or more in nominal value of the issued shares of any class shall not be entitled to vote, receive payment of dividend or other distribution or transfer their shareholding (except in certain circumstances) if he, having been given a section 793 notice, has failed to give the information thereby required within 14 days of such notice. Such restrictions will cease to apply upon any arm's length sale or upon such information being provided.

9.5 Variation of Rights

The Articles do not include any special rules for changing the rights attaching to any of its shares. Therefore, the rights attached to any class of shares may, in accordance with the Act be altered or

cancelled with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class.

Subject to the provisions of the Act, the Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of a larger amount, cancel any shares not taken or agreed to be taken by any person and sub-divide its shares into shares of a smaller amount and, as set out in the Act, by special resolution (and, with court approval where required) reduce its authorised or issued share capital or any capital redemption reserve and any share premium account in any way subject to authority required by law.

Subject to applicable law, the Company may purchase its own shares.

9.6 **Lien and Forfeiture**

The Company has a first and paramount lien on every share which is not fully paid for all amounts payable to the Company whether called or payable at a fixed time in respect of that share. The Board may sell shares on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 days of notice requiring the holder to do so.

Subject to the Articles and the terms on which the shares are allotted, the Board may make such calls on shareholders in respect of any money unpaid on their shares. Each shareholder shall (subject to receipt of at least 14 days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or part the Board may give the member not less 14 days' notice requiring payment together with interest and expenses. The notice should also state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

9.7 **Directors**

A director is not required to hold any qualification shares.

Board Powers

The Directors are responsible for the management of the Company's business and the Directors may exercise all the Company's powers and may do on its behalf anything that can be done by the Company. The Board may delegate any of its power to such persons or committees as it thinks fit. The members may, by special resolution, direct the Directors to take, or refrain from taking, specified action.

Directors' Conflicts of Interest

Director must declare to the other Directors any situation in which he has or could have a direct or indirect interest that conflicts or possibly might conflict with the interests of the Company. Save in relation to "**permitted causes**", any Director so interested cannot count as part of a meeting of the Directors in relation to voting for quorum purposes.

The permitted causes referred to above are:

- (a) the giving of any guarantee, security or indemnity to a director in respect of money lent by him or obligations incurred by him at the request or for the benefit of the Company or any of its subsidiary undertakings;
- (b) any security given by the Company to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings which the Director has himself guaranteed or secured in whole or in part;
- (c) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of or by the Company or by reason of any other interest in or through the Company;

- (d) any contract or arrangement in which he is interested directly or indirectly as shareholder holding less than 1 per cent. of any class of the equity share capital of, or the voting rights in such company as an officer, shareholder, creditor or otherwise howsoever;
- (e) any proposal concerning the adoption, modification or operation of an employee's share scheme, a pension fund or retirement, death or disability benefits scheme which relates both to the directors and employees of the Company or any of its Subsidiaries and does not provide in respect of any director any such privilege or advantage not accorded to the employees to which such scheme or fund relates;
- (f) any arrangement for the benefit of employees of the Company or of any of its Subsidiaries under which the Director benefits in a similar manner to the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom such arrangement relates; and
- (g) any proposal, contract, transaction or arrangement concerning (i) the purchase or maintenance of insurance for the benefit of directors or persons who include directors, or (ii) indemnities in favour of directors, or (iii) the funding of expenditure by one or more directors in defending proceedings against him or them or (iv) doing anything to enable such director or directors to avoid incurring such expenditure.

The Directors shall have the power to authorise certain conflicts, provided that the relevant Director does not vote or count in the quorum in respect of any decision on such authorisation. Subject to any applicable law, the Company may by ordinary resolution suspend or relax certain conflicts, or ratify any transactions not duly authorised by reason of a contravention of such provision.

Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money, indemnify and guarantee, and to mortgage or charge all or any part of its undertaking, property, assets (present and future), and to create debenture and loan stock whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Directors' Meetings

The quorum for meeting of the Board is two Directors. If the numbers of votes for and against a proposal are equal, the chairman or other Director chairing the meeting does not have a casting vote.

9.8 Directors Remuneration and Expenses

The Directors are entitled to such remuneration as the directors determine for their services to the Company as directors, and for any other service which they undertake for the Company.

The Directors are entitled to be repaid all reasonable expenses properly incurred by them respectively in connection with their attendance at meetings of directors or committees of directors, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company, or otherwise in connection with the exercise of their powers in relation to the Company.

9.9 Retirement and Appointment of Directors

The Company may from time to time by ordinary resolution appoint any person willing to act and who is permitted by law to do so, to be a director. The Directors may also from time to time appoint directors but any director so appointed shall retire by rotation at the next annual general meeting of the Company and stand for re-election.

A Director will also automatically cease to be a director of the Company if he becomes prohibited by law from holding such office in certain circumstances, or if a resolution is passed unanimously by the Board (excluding the affected Director) for the removal of that Director.

9.10 Retirement by Rotation

At every annual general meeting, any directors appointed by the Board since the last general meeting and any directors who were not appointed or re-appointed at one of the preceding two annual general meetings of the Company shall retire by rotation and stand for re-election.

9.11 Directors' indemnity and insurance

Subject to the Act the Company may indemnify any Director and any director of any associated company may be indemnified against any liability by him, including in connection with negligence, default, breach of duty and against any liability incurred by him in defending civil or criminal proceedings in which judgment is given in his favour.

Any former director may be provided with funds to meet his expenditure incurred or to be incurred by him in defending any criminal or civil proceeding which relate or are alleged to relate to his actions or omission as a director.

In each case, officers shall not be indemnified in certain circumstances, including against liability owed to the Company or any associate of the Company, to pay a fine by way of penalty or where such indemnity would be prohibited or rendered void by the Companies Act or any other provision of law.

The Company may also purchase and maintain for any Director or any director of any associated company, insurance against any liability, which has or may be incurred by a relevant director in connection with his duties or powers in relation to the Company or any associated company.

9.12 Transfers

Subject to the provisions of the Act, all transfers of shares held in certificated form may be effected by transfer in any usual form or in any other form acceptable to the Directors and shall be executed by or on behalf of the transferor and, if the share is partly paid, the transferee. The Directors may refuse to register the transfer of a certificated share if it is not fully paid, the transfer is not lodged at the Company's registered office or such other appointed place, it is not duly stamped, it is not accompanied by the certificate or similar documents, it is in respect of more than one class of share or if it is in favour of more than four transferees. All transfers of share held in uncertificated form will be affected by means of the relevant system. A transfer of share held in uncertificated form must not be registered if the transfer is in favour of more than four transferees.

9.13 Dividends

There are no fixed dates on which a dividend entitlement arises. The Company may by ordinary resolution from time to time declare dividends to be paid to Shareholders, although the amount of the dividend cannot exceed the amount recommended by the Directors. In addition, the Directors may pay interim dividends if justified by the profits of the Company available for distribution.

Unless otherwise specified, the dividend payment to each Shareholder shall be calculated proportionately to the amounts paid up on each issued Ordinary Share. All dividend payments shall be non-cumulative.

All unclaimed dividends may be used for the benefit of the Company until claimed and shall not attract interest. Any dividend which remains unclaimed twelve years after the date the dividend becomes due for payment shall, at the option of the Directors, be forfeited and shall revert to the Company.

There are no dividend restrictions attaching to the Ordinary Shares, provided they are fully paid up. Payments of dividends may be made by any method the Directors consider appropriate and on a cash dividend there are no special arrangements for non-resident Shareholders. The Directors may make such arrangements as they consider expedient in connection with a dividend payment in shares to deal with any legal or other difficulties that may arise in any territory in which non-resident Shareholders are present. Subject to the passing of an ordinary resolution by the members, members may be offered the right to elect to receive Ordinary Shares, credited as fully paid, rather than cash.

The Ordinary Shares rank *pari passu* as a class in terms of preference, restriction and all other rights.

10. INTERESTS OF THE DIRECTORS, SENIOR MANAGER AND SIGNIFICANT SHAREHOLDINGS

- 10.1 As at the Last Practicable Date and as expected to be immediately following the issue of the 10,841,486 new Ordinary Shares arising from the conversion of the Convertible Loan Notes and the capitalisation of the Accrued Fees immediately prior to Admission, and the issue of the 23,255,813 Placing Shares and Subscription Shares at Admission, the interests (direct and indirect) of the Directors and the Senior Manager in Ordinary Shares will be as follows:

<i>Name</i>	<i>Number of Ordinary Shares at the Last Practicable Date</i>	<i>Percentage of Existing Ordinary Share Capital at the Last Practicable Date</i>	<i>Number of Ordinary Shares at Admission</i>	<i>Percentage of Enlarged Share Capital on Admission</i>
Roby Zomer	4,715,947	6.74%	5,220,086	5.01%
Victor Bolduev	29,500,000	42.14%	30,454,612	29.26%
Yifat Steuer	–	0.00%	189,761	0.18%
Pavel Kobzev	1,000,000	1.43%	1,356,886	1.30%
Alex Brooks	–	–	418,605	0.40%
Anthony Eastman	2,000,000	2.86%	2,310,465	2.22%

Details of the options over Ordinary Shares held by Directors and Senior Manager, pursuant to the Share Option Schemes, are set out below in paragraph 11.3 of this Part 11.

- 10.2 Save as disclosed below, as at the Last Practicable Date, the Company is not aware of any interest in the Ordinary Shares which amounts or would, immediately following Admission, amount to 3 per cent. or more of the Enlarged Share Capital:

<i>Name</i>	<i>Number of Ordinary Shares at the Last Practicable Date</i>	<i>Percentage of Existing Ordinary Share Capital at the Last Practicable Date</i>	<i>Number of Ordinary Shares at Admission</i>	<i>Percentage of Enlarged Share Capital on Admission</i>
Victor Bolduev	29,500,000	42.14%	30,454,612	29.26%
Freya Holding Limited ¹	4,250,000	6.07%	4,576,163	4.40%
Alba Capital Pty Ltd ²	10,969,904	15.67%	13,935,020	13.39%
Platypus Assets Pty Ltd ³	6,250,000	8.93%	6,250,000	6.00%
Premier Miton	–	–	6,050,000	5.81%

- Beneficially owned and controlled by Mr Roby Zomer
- Beneficially owned and controlled by Mr Craig Burton
- Beneficially owned and controlled by Mr Brett Mitchell and Mrs Michelle Mitchell

The voting rights of the Shareholders set out in this paragraph 10.2 of this Part 11 do not differ from the voting rights held by other Shareholders.

- 10.3 Save as disclosed in paragraph 16 of this Part 11, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

11. CONVERTIBLE SECURITIES

11.1 Convertible Loan Notes

The Convertible Loan Notes shall convert into an aggregate of 7,947,786 Ordinary Shares immediately prior to Admission.

11.2 Warrants

By way of warrant Instrument dated 21 December 2021, the Company has created and granted warrants to Turner Pope Investments (TPI) Ltd, to subscribe for up to an aggregate of 1,255,814 Ordinary Shares a price of 21.5 pence per new Ordinary Share. The Warrants are exercisable from any time from Admission until the Expiry Date, being the day falling 3 years from the date of Admission.

By way of a Third Tranche Warrant Instrument dated 15 December 2021, the Company has issued the Third Tranche Warrants to Simon Catt pursuant to which Mr Catt may subscribe for up to an aggregate of 775,194 Ordinary Shares a price of 21.5 pence per new Ordinary Share. The warrants are exercisable at any time from Admission until the date falling 2 years from the date of Admission.

11.3 Share Option Schemes

The Board recognises the importance of share participation as a mechanism for recruiting, incentivising and rewarding Directors and employees. Details of the awards and options over Ordinary Shares granted to Directors, Senior Manager and consultants pursuant to the Share Option Schemes, which take effect from Admission, are set out below and a summary of the details of the Share Option Schemes are set out in Part 8 of this Document (*Information on the Group*).

<i>Name</i>	<i>Number of Ordinary Shares under option</i>	<i>Weighted Average Exercise Price per Ordinary Share (£)</i>
Directors - executive		
Victor Bolduev	2,200,000	£0.001
Pavel Kobzev	1,600,000	£0.001
Yifat Steuer	1,673,611	£0.001
Directors – non-executive		
Roby Zomer	1,700,000	£0.001
Alex Brooks	1,000,000	£0.001
Senior Manager and consultants		
Anthony Eastman	1,400,000	£0.001
Tim Wise	500,000	£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.

12. DIRECTORS' SERVICE AGREEMENTS/LETTERS OF APPOINTMENT

The Company has entered into employment contracts/letters of appointment/agreements for services with the Directors as follows:

12.1 Executive directors

On 21 December 2021, Mr Victor Bolduev entered into a letter of appointment with the Company, pursuant to which, following Admission, he is to serve as a Board Director of the Company and will be paid £2,500 per month. His appointment is terminable by either party on 6 months' written notice, or immediately on the termination for any reason of the agreement for services between Mr Bolduev, Polymer Innovations Inc and the Company. The letter of appointment contains obligations with respect to compliance with law and regulation, protection of confidential information, as well as grounds for summary termination.

On 21 December 2021, Mr Victor Bolduev and Polymer Innovations Inc entered into an agreement for services with the Company, pursuant to which, following Admission, Mr Bolduev is to serve as CEO and CTO of the Group and Polymer Innovations Inc and will be paid a fee of £11,250 per month with the appointment terminable by either party on 6 months' written notice. The agreement contains customary obligations for a consultant with respect to compliance with law and regulation, protection of confidential information, as well as customary termination rights for a consultant.

On 1 June 2020, Mr Victor Bolduev entered into an employment contract with Graft Polymer Slovenia (as amended on 21 December 2021) pursuant to which, subject to Admission, he has agreed to provide technology process and product recipe optimisation services. Mr Bolduev shall be paid a monthly salary of EURO 1,320. The agreement may be terminated by Mr Bolduev with 3 months' notice. The agreement is subject to the laws of Slovenia.

On 21 December 2021, Ms Yifat Steuer entered into an employment agreement with the Company, pursuant to which, subject to Admission, she is to serve as the CFO of the Company. The employment agreement contains customary obligations with respect to, confidentiality, compliance with applicable law and regulation and obligations to not hold any position which competes with the Group, Ms Steuer shall be paid a salary of £8,667 per month, which shall be subject to statutory deductions. The basic statutory obligations with respect to pensions will apply. Base salary shall be reviewed annually by the Remuneration Committee. In addition, a discretionary bonus may be paid, also as determined by the Remuneration Committee. The appointment may be terminated by either party with six months' prior written notice, or immediately in certain circumstances, including serious breaches of the employment agreement, conviction of Ms Steuer of a criminal offence (except for road traffic offences), or gross misconduct. The agreement contains customary non-compete and non-solicitation provisions.

On 21 December 2021, Ms Yifat Steuer entered into a letter of appointment with the Company, pursuant to which, subject to Admission, she is to serve as a Board Director of the Group and will be paid £2,500 per month with her appointment terminable by either party on 6 months' written notice, or immediately on the termination for any reason of her employment arrangement with the Company. The letter of appointment contains obligations with respect to compliance with law and regulation, protection of confidential information, as well as termination rights.

On 21 December 2021, Ms Yifat Steuer entered into a letter of appointment with Graft Polymer Slovenia pursuant to which, subject to Admission, Ms Steuer, as a director, is to manage and represent Graft Polymer Slovenia in consideration for a monthly amount of EURO 1,250, in addition to receiving a travel allowance and business travel expenses. The contract contains customary non-compete and non-solicitation provisions and intellectual property protections in favour of Graft Polymer Slovenia. The contract may be terminated by Ms Steuer by 3 months' notice and is subject to the laws of Slovenia.

On 21 December 2021, Mr Pavel Kobzev entered into a letter of appointment with the Company pursuant to which, following Admission, he is to serve as a Board Director of the Company and will be paid £2,500 per month with a time commitment of 2-3 days per month. His appointment is terminable by either party on 6 months written notice or immediately on the termination for any reason

of the agreement for services between Mr Kobzev, and the Company. The letter of appointment contains customary obligations with respect to compliance with law and regulation, protection of confidential information, as well as grounds for summary termination.

On 21 December 2021, Mr Pavel Kobzev entered into an agreement for services with the Company pursuant to which, following Admission, Mr Kobzev is to serve as Chief Marketing Officer of the Group and will be paid £4,500 per month with the appointment terminable by either party on 6 months written notice. Mr Kobzev is entitled to assign his rights and obligations under this agreement to a company under his control, provided that in such event Mr Kobzev shall enter to such agreement as a key representative of the assignee. The agreement contains customary obligations for a consultant with respect to compliance with law and regulation, protection of confidential information, as well as customary termination rights for a consultant.

On 21 December 2021, Mr Pavel Kobzev entered into a contract of management with Graft Polymer Slovenia pursuant to which, subject to Admission, Mr Kobzev, as a director, is to manage and represent Graft Polymer Slovenia in consideration for a monthly amount of EURO 1,250, in addition to receiving a travel allowance and business travel expenses. The contract contains customary non-compete and non-solicitation provisions and intellectual property protections in favour of Graft Polymer Slovenia. The contract may be terminated by Mr Kobzev by 3 months' notice and is subject to the laws of Slovenia.

12.2 **Non-executive directors**

On 21 December 2021 Mr Roby Zomer entered into a letter of appointment with the Company which, subject to Admission, will govern the terms of his appointment as the Non-Executive Chairman of the Company and a member of board committees as determined by the Company. Mr Zomer will be entitled to a director's fee of £3,000 per month. The appointment is terminable at any time on 3 months prior written notice by either party.

Mr Zomer is also appointed as a director of Graft Polymer Slovenia under a letter dated 1 July 2018 (as amended on 21 December 2021) and in consideration for his services in that role is paid EURO 500 per month and provided with a travel allowance.

On 21 December 2021 Mr Alex Brooks entered into a letter of appointment with the Company which, subject to Admission, will govern his appointment as a Non-Executive Director of the Company and a member of board committees as determined by the Company. Mr Brooks will be entitled to a director's fee of £2,500 per month. The appointment is terminable at any time on 3 months prior written notice by either party.

12.3 **Senior Manager**

On 21 December 2021, Tournesol Consulting Limited and Mr Anthony Eastman entered into an agreement for services with the Company pursuant to which, following Admission, Mr Anthony Eastman, acting as a key representative of Tournesol Consulting Limited, is to serve as Company Secretary, and Tournesol Consulting Limited will be paid £3,000 per month with the appointment terminable by either party on 6 months written notice. The agreement contains customary obligations with respect to compliance with law and regulation, protection of confidential information, as well as customary termination rights for the parties.

13. ADDITIONAL INFORMATION ON THE DIRECTORS

13.1 Details of the names of companies and partnerships (excluding directorships in the Group) of which the Directors and the Senior Manager are or have been members of the administrative, management or supervisory bodies or partners at any time in the five years preceding the date of this Document are set out below:

<i>Director / Senior Manager</i>	<i>Age</i>	<i>Current Directorships and Partnerships (other than the Group)</i>	<i>Past Directorships and Partnerships on Admission</i>
Roby Zomer	41	MGC Pharmaceuticals Limited MGC Pharma (UK) Ltd MGC Pharmaceuticals doo MGC Nutraceuticals doo MGC Pharma (Malta) Holdings Limited MGC Pharma (Malta) Operations Limited MGC Pharma (Malta) Property Limited MGC Pharma (Malta) R&D Limited Chitta LU Limited Beyond Diamonds Limited <i>(formerly Kore Genetics Limited)</i> Sputnik Enterprises Limited Atarey Nihul Ltd Freya Holdings Limited Sputnik Innovations Limited	Anubis Pharma Limited MGC Derma doo Green City Urban Recycling Ltd
Victor Bolduev	63	Victor Bolduev IP Polymer Innovations Inc	Metaclay JSC OKAPOL OOO
Yifat Steuer	51	Steuer Consulting Limited	Marken Limited Marken Time Critical Express Limited Marken (South America) Limited De Facto 1341 Limited Marken Services Limited
Pavel Kobzev	39	Extrax doo	None
Alex Brooks	45	Pressure Islands Limited Watford Jazz Junction CIC	None
Anthony Eastman	47	Thrivanta Investments Plc Windyhollows Limited Extrax Limited ANCE CO UK Limited Critical Metals Plc Orana Corporate LLP Vaxeal Immunotherapy Ltd MGC Pharma (UK) Ltd Tournesol Consulting Ltd NTSU Gems UK Limited East Star Resources plc	Beyond Diamonds Limited <i>(formerly Kore Genetics Limited)</i> Anubis Pharma Limited Mila Resources Plc Caracal Gold plc <i>(formerly Papillon Holdings plc)</i> NP&C Corporate Services Limited*

* NP&C corporate Services Ltd was subject to member's and creditors voluntary liquidation and has subsequently been dissolved on 22 June 2019.

13.2 Save as disclosed above, none of the Directors or the Senior Manager has in the five years preceding the date of this Document:

- (i) any unspent convictions in relation to indictable offences;
- (ii) any convictions in relation to fraudulent offences;
- (iii) had any bankruptcy order made against him or entered into any voluntary arrangements;

- (iv) been associated with any company which has been placed in bankruptcy, receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a member of the administrative, management or supervisory body or of a senior manager of any company;
- (v) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (vi) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (vii) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies);
- (viii) had any official public incrimination and/or sanctions involving such persons by statutory or regulatory authorities (including designated professional bodies) nor have they ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer; or
- (ix) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

The Directors and the Senior Manager, their functions within the Group and brief biographies are set out in paragraph 16 of Part 8 of this Document (*Information on the Group*). There are no family relationships between any of the Directors or the Senior Manager.

14. DIRECTORS' AND SENIOR MANAGER'S REMUNERATION AND BENEFITS

A summary of the amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to the Directors and the Senior Manager for their services, in all capabilities, to the Group, during the last full financial year is set out below:

<i>Name</i>	<i>Basic Annual Salary & Fees (£)</i>	<i>Total (£)</i>
Victor Bolduev	178,043	178,043
Yifat Steuer	147,043	147,043
Pavel Kobzev	97,043	97,043
Roby Zomer	41,217	41,217
Alex Brooks	30,000	30,000
Anthony Eastman	36,000	36,000

No amounts have been set aside by the Group to provide for pension, retirement or similar benefits.

15. EMPLOYEES

During the period since 18 May 2017, being the date of incorporation, the Company had grown to 11 employees as at 30 September 2021. On Admission, the Group will have 10 employees of which 9 are based in Slovenia and 1 is based in the United Kingdom. Primarily the employees work in supporting the operations of the Group.

16. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been: (a) entered into by a member of the Group within the two years immediately preceding the date of this document and are, or may be, material; or (b) entered into by a member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is (or may be) material to the Group as at the date of this Document.

16.1 Placing Agreement

On 21 December 2021, the Company, the Directors and Turner Pope, entered into the Placing Agreement, under which Turner Pope has been granted certain powers and authorities in connection with the Placing and the application for Admission. Under the terms of the Placing Agreement, the Company and the Directors have given certain customary warranties, and the Company has given an indemnity, in connection with the Placing and Admission, as well as other matters relating to the Group and its affairs.

Turner Pope may terminate the Placing Agreement in certain specified circumstances prior to Admission, including if the Company or the Directors are in material breach of any term of the Placing Agreement, Turner Pope become aware of any circumstance which has resulted in material breach of any of the warranties, there has been a material adverse change in the financial or trading position or prospects of the Group, a material new factor or inaccuracy has been discovered relating to the information in the prospectus, or there has been an adverse event in the markets effecting the London Stock Exchange or the economic financial or political environment. The Placing Agreement is subject to the satisfaction or waiver of a number of conditions prior to Admission, including, certain warranties remaining true and accurate, the allotment and issue of the Placing Shares (subject to Admission) taking place and Admission taking place by 6 January 2022 (or such later time as may be agreed by the Company and Turner Pope, being not later than 31 January 2022).

In consideration of its services under the Placing Agreement, the Company has agreed to pay a commission to Turner Pope, together with disbursements (as well as any reasonable out of pocket expenses incurred). The Company has also issued 1,255,814 Warrants to Turner Pope in consideration for its services.

16.2 Turner Pope Engagement

On 22 November 2021, the Company and Turner Pope entered into the engagement letter with Turner Pope, pursuant to which the Company has appointed Turner Pope to act as broker to the Company in connection with the Placing and Admission. The Company has agreed to pay Turner Pope an fee of £25,000 payable in cash, on Admission, together with other commissions and expenses for its services as broker as outlined in the engagement letter. The Company has agreed to appoint Turner Pope as its broker following Admission for a period of 18 months, for an annual fee of £35,000 (plus VAT) which is payable in cash, quarterly, in advance.

16.3 Registrars Agreement

On 4 November 2021, the Company entered into an agreement with Share Registrars Limited pursuant to which the Company appointed Share Registrars Limited as its registrar in relation to the Ordinary Shares with effect from Admission. The agreement is terminable by either party on 6 months' written notice, or with immediate effect by Share Registrars Limited in the event that the Company fails to pay it sums due.

16.4 Lock-in and orderly market deeds

Pursuant to lock-in deeds dated 21 December 2021 between each of the Company, Turner Pope and the First Locked Shareholders, the First Locked Shareholders have agreed, in relation to a total of 35,681,895 Ordinary Shares, that (subject to certain exceptions) they will not for a period of 12 months from Admission dispose of, or agree to dispose of, any interest in such Ordinary Shares. The exceptions are: (a) a disposal by the personal representatives of the relevant shareholder; (b) a disposal in acceptance of a general offer for the whole of the issued equity share capital of the

Company (other than any equity share capital held by or committed to the offeror); (c) pursuant to an offer by the Company to purchase its own shares which is made on identical terms to the holders of shares of the same class; (d) in the event of an intervening Court order of competent jurisdiction; (e) a disposal to a trustee or company controlled by the relevant shareholder; or (f) with the prior written consent of the Company and Turner Pope ("**Locked-In Exceptions**").

Pursuant to a lock-in and orderly market deed dated 21 December 2021 between each of the Company, Turner Pope and the Second Locked Shareholders, the Second Locked Shareholders have agreed, in relation to a total of 25,676,439 Ordinary Shares, that (subject to certain exceptions) they will not for a period of 6 months from Admission ("**6M Locked-in Period**") dispose of, or agree to dispose of, any interest in such Ordinary Shares. The Lock-In Exceptions apply during the 6M Locked-in Period. For a further period of 6 months after the 6M Locked-in Period, each of the Second Locked Shareholders has agreed that they will not dispose or agree to dispose of any interest in such Ordinary Shares other than through Turner Pope so as to ensure an orderly market, provided that the terms being offered by Turner Pope are no less favourable than the terms offered by other similar brokers in respect of similar transactions and the sale price is at least equivalent to the price the relevant shareholder can obtain elsewhere.

Pursuant to an orderly market deed dated 21 December 2021 between each of the Company, Turner Pope and the Orderly Market Shareholders, the Orderly Market Shareholders have agreed, in relation to a total of 18,349,626 Ordinary Shares, that (subject to certain exceptions) they will not for a period of 12 months from Admission dispose or agree to dispose of any interest in such Ordinary Shares other than through Turner Pope so as to ensure an orderly market, provided that the terms being offered by Turner Pope are no less favourable than the terms offered by other similar brokers in respect of similar transactions and the sale price is at least equivalent to the price the relevant shareholder can obtain elsewhere.

16.5 **Convertible Loan Notes**

The Company has issued the Convertible Loan Notes, further details of which are set out below. The proceeds of the Convertible Loan Notes have been used by the Company to purchase inventory to fulfil customer orders. The proceeds of the Third Tranche Loan Notes have partly been used to fund costs associated with Admission.

16.6 **First Tranche Loan Notes**

Between 8 June 2020 and 13 July 2020, the Company entered into convertible loan note agreements with the First Tranche Noteholders (the "**First Tranche Loan Notes**"). The aggregate amount of the interest-free and redeemable First Tranche Loan Notes was €515,515.

The First Tranche Loan Notes will automatically convert if the Company completes:

- (a) an equity investment (in the aggregate) of at least 1 million euro; or
- (b) Admission,

(each a "**First Qualified Financing Round**").

Upon conversion, if the price paid per share payable in the First Qualified Financing Round is equivalent to or higher than 15 eurocents, then the conversion rate shall be 10 cents per share. However, if the price per share paid pursuant to the Qualified Financing Round is lower than 15 eurocents, then the conversion rate shall be calculated by dividing 10 eurocents by the result of dividing a fixed amount of 15 eurocents by the price paid per share pursuant to the First Qualified Financing Round.

At any time prior to the 31 December 2022, each of the First Tranche Noteholders is entitled to request conversion at a conversion rate of 10 eurocents per share. If by 31 December 2022 the First Tranche Loan Notes have not been converted, the First Tranche Noteholders may redeem them.

The First Tranche Loan Notes contain customary warranties and undertakings by the Company as to the business of the Group. Immediately prior to Admission, the First Tranche Loan Notes shall

convert into an aggregate of 5,155,150 new Ordinary Shares and such Ordinary Shares will be admitted to trading at Admission.

16.7 **Second Tranche Loan Notes**

Between 20 November and 24 November 2020, the Company entered into convertible note agreements with the Second Tranche Noteholders. The aggregate amount of the interest-free and redeemable Second Tranche Loan Notes was £197,000 (the "**Second Tranche Loan Notes**"). Each Second Tranche Loan Note has a longstop date of 12 months after the signing of the agreement, at which point the Second Tranche Noteholders may redeem their Second Tranche Loan Notes. The Second Tranche Loan Notes will automatically convert on the earlier of:

(a) the Company completing a fundraising that raises at least €2,000,000 (or, in the case of Second Tranche Loan Notes held by one of the Second Tranche Noteholders, €1,000,000); and

(b) Admission,

(each a "**First Qualified Financing Round**").

Upon conversion, the principal amount will convert into Ordinary Shares at a conversion rate of eighty per cent. of the price per share paid pursuant to the Second Qualified Financing Round.

If the Second Tranche Loan Notes are redeemed, interest is payable as a disbursement at the equivalent of 12 per cent. per annum.

The Second Tranche Loan Notes contain customary warranties and undertakings by the Company as to the business of the Group. Immediately prior to Admission, the Second Tranche Loan Notes shall convert into an aggregate of 1,145,349 new Ordinary Shares and such Ordinary Shares will be admitted to trading at Admission.

16.8 **Third Tranche Loan Notes**

On 18 June 2021 and 20 July 2021, the Company entered into convertible note agreements with the Third Tranche Noteholders. The aggregate amount of the redeemable Third Tranche Loan Notes was £300,000 (the "**Third Tranche Loan Notes**"). Interest on the Third Tranche Loan Notes accrues annually at between 6 and 10 per cent. per annum.

The Third Tranche Loan Notes will automatically convert on the earlier of:

(a) the Company completing a fundraising that raises at least:

(i) €1,000,000 in the case of the Third Tranche Loan Notes held by one Third Tranche Noteholder; and

(ii) €2,000,000 in the case of the Third Tranche Loan Notes held by the other Third Tranche Noteholder; and

(b) Admission,

(each a "**Third Qualified Financing Round**").

Upon conversion, the principal amount plus all interest incurred will convert into Ordinary Shares at a conversion rate of eighty per cent. of the price per share paid pursuant to the Third Qualified Financing Round in the case of the Third Tranche Loan Notes held by one Third Tranche Noteholder, and ninety per cent. of the price per share paid pursuant to the Third Qualified Financing Round in the case of the Third Tranche Loan Notes held by the other Third Tranche Noteholder. Further, the Third Tranche Noteholder whose loan note will convert at a conversion rate of ninety per cent. of the price per share paid pursuant to the Third Qualified Financing Round will also be given one warrant for each Ordinary Share converted pursuant to his Third Tranche Loan Note at the Third Qualifying Financing Round price which shall be exercisable within two years of grant.

If after 24 months from the date of each Third Tranche Loan Note the Company has not converted the Third Tranche Loan Notes, they shall become redeemable and all interest accrued shall also be paid.

The Third Tranche Loan Notes contain customary warranties and undertakings by the Company as to the business of the Group. Immediately prior to Admission, the Third Tranche Loan Notes shall convert into an aggregate of 1,647,287 new Ordinary Shares and such Ordinary Shares will be admitted to trading at Admission.

16.9 **Third Tranche Warrant Instrument**

The Company issued warrants to subscribe for Ordinary Shares in the capital of the Company to Simon Catt pursuant to a warrant instrument dated 15 December 2021.

Under the terms of the Third Tranche Warrant Instrument, warrants over 775,194 Ordinary Shares have been issued to Simon Catt, with an exercise price of 21.5 pence, and a term of 2 years from Admission, to subscribe for up to an aggregate of 775,194 Ordinary Shares.

The Third Tranche Warrants, if exercised in full, would result in the issue of an aggregate of 775,194 new Ordinary Shares.

16.10 **Director and Consultancy Fees**

The Company has agreed to capitalise an aggregate of £497,717 of accrued fees outstanding as at 30 September 2021 to Victor Bolduev, Roby Zomer, Pavel Kobzev, Tim Wise, Anthony Eastman, Yifat Steuer, Alex Brooks and Shimony Law Firm.

Immediately prior to Admission, the Company will allot and issue in aggregate 2,893,701 Ordinary Shares pursuant to such capitalisation and such Ordinary Shares will be admitted to trading at Admission.

16.11 **Warrant Instrument**

By resolution of the Board and in connection with the Placing, the Company has determined to create and issue warrants to subscribe for ordinary shares in the capital of the Company on the terms and subject to the conditions of the warrant instrument, as executed on 21 December 2021 (the "**Warrant Instrument**").

Under the terms of the Warrant Instrument, 1,255,814 TPI Warrants have been issued to Turner Pope, with an exercise price of 21.5 pence, and a term of 3 years from Admission, to subscribe for up to an aggregate of 1,255,814 Ordinary Shares.

The TPI Warrants, if exercised in full, would result in the issue of an aggregate of 1,255,814 new Ordinary Shares.

16.12 **Subscription and Shareholders' Agreement**

The Company entered into a Subscription and Shareholders' Agreement dated 29 May 2017 with the Founder, Sputnik Enterprises Ltd (the "**Facilitator**"), Chieftain Securities Pty Ltd and Alba Capital Pty Ltd (together the "**Investors**") to govern the Company and the relationship of the parties in relation to their respective shareholdings (the "**SSA**").

Per clause 9.3 of the SSA, the Company shall pay the Founder, in addition to the salary or management fee payable to the Founder under his employment agreement or service agreement with the Company, 7 per cent. of the revenue, on a monthly basis, up to an aggregate amount of €3,500,000. Such amounts shall be payable within 28 days from the end of each calendar month, starting as of such calendar month in which 7 per cent. of the revenue equals to €20,000 or more. The Company shall make its best efforts to pay to the Founders such aggregate amount within 25 months as of the first payment. This provision will be superseded by the Victor Bolduev Royalty Agreement, as set out below.

Per clause 20.2 of the SSA, the SSA may be terminated with the prior written consent of the qualified majority, in which event such termination shall be binding against all of the parties hereto save that

nothing in this clause shall release any party from liability for breaches of the SSA which occurred prior to its termination.

Whilst the SSA remains in effect as at the date of this Document, the SSA will terminate upon Admission.

16.13 **Victor Bolduev Royalty Agreement**

On 21 December 2021, the Company entered into a profit share agreement with Victor Bolduev ("**Profit Share Agreement**"). The Profit Share Agreement has been entered into as a result of the fact that the SSA will terminate on Admission, in order that the Founder will retain his right to the royalty. Under the terms of the Profit Share Agreement, conditional on Admission, the Company has agreed to pay a royalty of 7 per cent. of the profit (being EBITDA less the administration costs and expenses of the Company for the relevant Financial Year as determined in the audited financial accounts of the Company from year to year) from sales or licence income of the Company, on a monthly basis up to an aggregate amount of €3,500,000, which will commence upon the Company achieving monthly profit of €20,000. To date, no royalty has been paid or accrued.

Any dividend, payment, profit-share or other amount paid to the Founder by the Company in excess of any salary of management fee payable under his service agreement shall be deemed part payment of the amount due to the Founder pursuant to the terms of the Profit Share Agreement.

16.14 **Orana Services Agreement**

By letter of engagement dated 21 December 2021, Orana Corporate LLP ("**Orana**") was appointed as Group's accountant (the "**Orana Agreement**"). Anthony Eastman holds a 25 per cent. share of Orana. As of the date of this document, there are five LLP Designated Members. As Mr Eastman does not have majority control of Orana, the Directors do not consider Anthony Eastman, who is a Senior Manager, to have a material conflict of interest.

Pursuant to the Orana Agreement, Orana agreed to provide bookkeeping services and support, on an ongoing basis. Orana will receive a cash fee of £1,667 per month for the services provided. Out of pocket expenses and VAT will be added to Orana's fees.

The terms and conditions of the Orana Agreement are of general market standard, which includes an expected indemnification in favour of Orana in the instances where the Group uses the work produced by Orana contrary to the terms of the Orana Agreement and where the Group provides Orana information which is negligent, fraudulent or in wilful default. It is also to be noted that the total liability of Orana for any claim arising out of the Orana Agreement, regardless of the form of claim, will in no event exceed, in the aggregate, the total fees paid by the client to Orana in the preceding 12 months for the services.

16.15 **IP Assignment**

2017 assignment

The Company entered into an Assignment of Rights Agreement ("**Assignment Agreement**") dated 29 May 2017 with Victor Bolduev, Pavel Kobzev and Graft Polymer Slovenia (together "**the Assignors**"). Pursuant to the Assignment Agreement, the Assignors assigned to the Company absolutely with full title guarantee all their right, title and interest in all agreements permits, licenses, domains, trademarks, databases, designs, hardware, software (including, without limitation, source code and object code for software), any written, graphic or machine-readable information, technical data, methods, plans, statistics, reports, know-how, Company's data, including, but not limited to, that which relates to Intellectual Property whether registered or not, patents, patent applications, research, product plans, products, developments, inventions, processes, drawings, engineering, formulae, markets, hardware configuration, computer programs, algorithms, business plans, data base, agreements with third parties, services, customers list and information, associates and partners information, information regarding the marketing or finances of Company and other materials, listed in Schedule 1 of the Assignment Agreement. The Assignment Agreement contains certain warranties from the Assignors in favour of the Company in respect of the rights assigned, and an indemnity for

any costs or losses arising in connection with any breach of said warranties or otherwise of the terms of the Assignment Agreement.

2021 assignments and licence

Various assignment and licences have been entered into between various members of the Group and certain Directors in order for all the IP of the Group is held by Graft Polymer IP, which in turn has agreed to licence such IP to Graft Polymer Slovenia, as follows:

- On 21 December 2021, Graft Polymer IP entered into a deed of assignment with Graft Polymer Slovenia pursuant to which it assigned all of the IP rights and any other materials (such as inventions, manuals, trade secrets, recipes, processes, formulae, data, know-how and product names) which are owned, obtained or developed by Graft Polymer Slovenia now or in the future. Pursuant to the agreement, Graft Polymer Slovenia gave certain standard representations and warranties (on an indemnity basis) to Grant Polymer IP in respect of the IP rights it assigned;
- On 21 December 2021, Graft Polymer IP entered into a deed of assignment with each of the Founder and Pavel Kobzev pursuant to which the Founder and Mr Kobzev assigned all of the IP rights to the extent that any such rights had not already been assigned pursuant to their respective service contracts with Graft Polymer Slovenia. Pursuant to the agreement, the Founder and Mr Kobzev gave certain standard representations and warranties (on an indemnity basis) to Grant Polymer IP in respect of the IP rights they assigned; and
- On 21 December 2021, Graft Polymer IP granted Graft Polymer Slovenia a non-exclusive, worldwide, revocable licence of all the IP which it owns or has licenced. The term of the licence is indefinite but can be terminated, and certain IP or categories of IP can be excluded, at any time, at the option of Graft Polymer IP, on one month's written notice. Graft Polymer Slovenia is required to pay Graft Polymer IP a royalty of 10 per cent. of an adjusted net revenue amount, payable annually. Graft Polymer Slovenia has agreed to give certain assurances to Graft Polymer IP that licenced products are safe and appropriate licences have been obtained for their use, and has agreed to indemnify Graft Polymer IP against any loss arising from its exercise of the rights granted under the licence, or a breach or negligent performance of the agreement. Graft Polymer Slovenia is entitled to sub-licence IP in certain defined circumstances.

16.16 MGC Pharmaceuticals

Research and development agreement

In 2019, Graft Polymer Slovenia entered into a Research and Development Agreement with MGC Pharmaceuticals d.o.o, pursuant to which the parties agreed that Graft Polymer Slovenia would conduct research for MGC Pharmaceuticals d.o.o and the other members of the MGC Pharmaceuticals Limited group with regard to the following:

- "CimetrA™" - proprietary bio-Investigation medicinal product targeting COVID-19 symptoms based on SNEDDS in forms of spray and powder. Testing is ongoing.
- "CannEpiL-IL™" SNEDDS form of nanoemulsion based on CBD/THC for the treatment of epilepsy.

For the avoidance of doubt, no member of the Group possesses any cannabinoid substances for the purposes of conducting the research on behalf of the MGC Pharmaceuticals Limited group.

Pursuant to the terms of the agreement, MGC was required to pay EUR 1.5 million for research conducted by Graft Polymer Slovenia. In 2020, the parties amended the agreement, reducing the scope and amount of the payment for the research to EUR 500,000, which was paid in full.

Licence and Royalty agreement

On 21 September 2021, Graft Polymer IP entered into a licence agreement with MGC (being the MGC Licence & Royalty Agreement). Graft Polymer IP has agreed to grant the MGC a worldwide, non-sublicensable licence to use the intellectual property rights in certain inventions, technologies and products relating to the Group's GraftBio self nano-emulsifying drug delivery system ("**DDS IP**") ("**Licence**") for the sole purpose of manufacturing the Licensee's 'CimetrA™' and 'CannEpiL-IL™'

(CannEpil Ionic Liquid)' products and any improvement, change or derivative of those products and any other products which may be mutually agreed between the parties (together the "**MGC Product**") ("**Licence**").

All title, rights and interests in or to MGC Product produced by MGC in exercising its rights under the Licence shall vest in MGC. Graft Polymer IP does not acquire any right or interest to or in the finished form of MGC Product by virtue of granting the Licence. Graft Polymer IP will own the IP rights to any change, modification or improvement made by MGC in connection with the DDS IP. In consideration for the Licence, MGC shall pay to Graft Polymer IP a royalty of €1 per each unit of the MGC Product sold or otherwise commercialised by MGC ("**Royalty**") (except in relation to units supplied free of charge for purposes of research and development).

Graft Polymer IP gives customary warranties under the agreement and Graft Polymer IP indemnifies MGC against all liabilities, costs, expenses, damages and losses (including legal costs) suffered or incurred by MGC arising out of or in connection with any breach of the warranties or the enforcement of the agreement. No party is liable to the other for any indirect, special or consequential damage and any liability under the agreement shall be capped at the amount of Royalty actually received by Graft Polymer IP during the six month period preceding the relevant liability event.

The Licence will last for a term of ten years and will automatically renew for ten further years unless terminated. Each party has the right to terminate the agreement for certain reasons including, but not limited to, a material breach of the agreement which is not remedied within 20 days or either party becoming insolvent.

16.17 **Sibella services agreement**

On 15 September 2021, the Company entered into a services agreement with Sibella Capital Pty Ltd ("**Sibella**") (a company controlled by Brett Mitchell) pursuant to which the Company is to retain Sibella's consulting services. The consulting services comprise introductions to potential scientific and advisory board members, advice in relation to strategic planning and analysis of the Company's financial position, models and structure and on matters relating to the Company's capitalisation. The term of the Sibella Services Agreement is two years and the Company has agreed to pay Sibella a one-time success fee of £75,000 within seven days of, and conditional on, Admission.

16.18 **Shachar Shimony – Law Firm services agreement**

On 21 December 2021, the Company entered into a services agreement with Shachar Shimony - Law Firm ("**Shachar**") pursuant to which the Company will retain Shachar's legal consulting services. The consulting services include drafting and negotiating commercial contracts and other legal instruments, participating in commercial negotiations and the provision of ad-hoc legal advice. The commencement of the services agreement is conditional on Admission and the Company will pay a fee of £24,000 per annum to Shachar, payable monthly. The terms and conditions of the services agreement are of general market standard and include confidentiality, conflict of interest and limitation of liability provisions.

16.19 **Subscription Letter**

On 15 December 2021, the Company entered into a subscription agreement with the Subscriber pursuant to which the Subscriber irrevocably agreed to subscribe for 2,325,581 new Ordinary Shares at the Issue Price as part of the Fundraising. Pursuant to the Subscription Letter, the Subscription is conditional on the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission and Admission having occurred by 6 January 2022 (or such later date as Turner Pope and the Company may agree, being no later than 31 January 2022). Pursuant to the terms of the Subscription Letter, the Subscriber provided the Company with certain customary warranties and undertakings in relation to itself and the Subscription.

17. RELATED PARTY TRANSACTIONS

- 17.1 Other than as disclosed in the financial report for the year ended 31 December 2020 and as set out in paragraph 17.2 below, there have been no other related party transactions between the Company or members of the Group and related parties entered into since the date of the financial report for the year ended 31 December 2020.
- 17.2 On 21 September 2021, Graft Polymer IP entered into a licence agreement with MGC, of which Roby Zomer (a Director of the Company) is a director. Further details of the agreement are set out in paragraph 16.16 of this Part 11 (*Additional Information*) of this Document. No revenue has yet been received by the Group from this arrangement.

18. LITIGATION

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the 12 months period preceding the date of this Document, which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.

19. NO SIGNIFICANT CHANGE

Since 30 June 2021 (being the last financial period for which financial information has been published and for which financial information contained in this Document has been prepared), there has been no significant change in the financial position and performance of the Group, save for an aggregate of £150,000 advanced to the Company by way of a £150,000 convertible loans (being half of the Third Tranche Loan Notes), which was received on 20 July 2021.

20. WORKING CAPITAL

The Company is of the opinion that, taking into account the net proceeds of the Fundraising, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Document.

21. TAXATION

21.1 General

The comments below are of a general and non-exhaustive nature based on the Directors' understanding of the current revenue law and published practice in the UK, which are subject to change, possibly with retrospective effect. The following summary does not constitute legal or tax advice and applies only to persons subscribing for new Ordinary Shares in the Fundraising as an investment (rather than as securities to be realised in the course of a trade) who are the absolute and direct beneficial owners of their Shares (and the shares are not held through an Individual Savings Account or a Self-Invested Personal Pension) and who have not acquired their Shares by reason of their or another person's employment. These comments may not apply to certain classes of person, including dealers in securities, insurance companies and collective investment schemes.

An investment in the Company involves a number of complex tax considerations. Changes in tax legislation the UK or in any of the countries in which the Company has assets (or in any other country in which a subsidiary of the Company is located), or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Company to Investors.

Prospective Investors should consult their own independent professional advisers on the potential tax consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence including the consequences of distributions by the Company, either on a liquidation or distribution or otherwise.

21.2 **United Kingdom taxation**

This summary is for general information only and it is not intended to be, nor should it be construed to be, legal advice to any Shareholder or prospective Investor.

The following summary is intended as a general guide only and relates only to certain limited aspects of UK tax consequences of holding and disposing of Shares in the Company. It is based on current UK tax law and the current practice of HMRC, both of which are subject to change, possibly with retrospective effect.

Any person who is in any doubt as to his or her tax position, or who is resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult his or her tax advisers immediately.

21.3 **SHAREHOLDERS**

(i) ***Taxation of dividends – individuals***

The Company is not required to withhold UK tax when paying a dividend on the Ordinary Shares. UK resident individual Shareholders will be liable to income tax on the amount of any dividends received. Such individual Shareholders will be entitled to a £2,000 annual tax-free dividend allowance for the tax year 2021/22. Dividends received in excess of this threshold will be taxed, for the tax year 2021/22 and subsequent years, at 7.5 per cent. (basic rate taxpayers), 32.5 per cent. (higher rate taxpayers) and 38.1 per cent. (additional rate taxpayers). From 6 April 2022 these rates will increase each by 1.25 per cent. to 8.75 per cent. (basic rate taxpayers), 33.75 per cent. (higher rate taxpayers) and 39.35 per cent. (additional rate taxpayers).

(ii) ***Taxation of dividends - companies***

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally be subject to UK corporation tax on dividends paid by the Company on the Ordinary Shares.

Other Shareholders within the charge to UK corporation tax will not be subject to corporation tax on dividends paid by the Company on the Ordinary Shares so long as the dividends fall within an exempt class and certain conditions are met. Although it is likely that dividends paid by the Company on the Ordinary Shares would qualify for exemption from corporation tax, it should be noted that the exemption is not comprehensive and is subject to anti-avoidance rules. Shareholders should therefore consult their own professional advisers where necessary.

(iii) ***Taxation of disposal***

A disposal of Shares by a Shareholder who is resident in the UK for tax purposes may, depending on the Shareholder’s circumstances, and subject to any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

UK resident individuals are, for each tax year, entitled to an exemption from capital gains tax for a specified amount of gains realised in that tax year. The current annual exempt amount for the tax year 2021/22 is £12,300.

For Shareholders within the charge to corporation tax, indexation allowance may reduce the amount of any chargeable gain arising on a disposal of Shares (but cannot give rise to or increase the amount of an allowable loss).

(iv) ***Stamp Duty and Stamp Duty Reserve Tax (SDRT)***

The following comments in relation to UK stamp duty and SDRT apply to Shareholders wherever they are resident or domiciled. They are intended only as a general guide and (except to the extent stated) do not relate to persons such as market makers, brokers, dealers, intermediaries or persons connected with depositary arrangements or clearance services, to whom special rules may apply.

21.4 **Subsequent transfers of Shares**

Stamp duty at the rate of 0.5 per cent. (rounded up to the nearest £5) of the amount or value of the consideration given will generally be payable in respect of an instrument transferring Shares. An exemption from stamp duty is available for instruments transferring shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by it does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also arise in respect of an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares). However, if an instrument of transfer is executed in pursuance of the agreement and duly stamped within six years of the date on which the agreement became unconditional, the SDRT charge will generally be cancelled and any SDRT which has already been paid can generally be reclaimed.

The liability to pay stamp duty or SDRT is normally satisfied by the purchaser or transferee.

21.5 **Shares held through CREST**

Paperless transfers of Shares within CREST are generally subject to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system. Deposits of Shares into CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of the consideration.

The UK has entered into international agreements with a number of jurisdictions which provide for the exchange of information in order to combat tax evasion and improve tax compliance. These include, but are not limited to, an Inter-governmental Agreement with the US in relation to FATCA and International Tax Compliance Agreements with Guernsey, Jersey, the Isle of Man and Gibraltar. In connection with such international agreements the Company may, among other things, be required to collect and report to HMRC certain information regarding Shareholders and other account holders of the Company and HMRC may pass this information on to tax authorities in other jurisdictions in accordance with the relevant international agreements.

This summary of UK taxation issues can only provide a general overview of these areas and it is not a description of all the tax considerations that may be relevant to a decision to invest in the Company. The summary of certain UK tax issues is based on the laws and regulations in force as of the date of this Document and may be subject to any changes in UK laws occurring after such date. Legal advice should be taken with regard to individual circumstances. Any person who is in any doubt as to his tax position or where he is resident, or otherwise subject to taxation, in a jurisdiction other than the UK, should consult his professional adviser.

22. **GENERAL**

- 22.1 The net proceeds of the Fundraising are expected to be £4.15 million. The total costs and expenses relating to Admission and the Fundraising are payable by the Company and are estimated to amount to approximately £850,000 (excluding VAT).
- 22.2 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.
- 22.3 PKF Littlejohn of 15 Westferry Circus, London, E14 4HD is a member of the ICAEW and (in its capacity as reporting accountant) has given and not withdrawn its written consent to the inclusion of its report on 21 December 2021, included in the Appendix of this Document and references to that report in this Document and for the purposes of Rule 5.3.2R(2)(f) and Rule 5.3.9R of the Prospectus Regulation Rules has authorised the contents of such parts of this Document that comprise that report. PKF Littlejohn have no material interest in the Group. The report has been produced at the issuer's request

and such report has been included in this Document with the consent of the Directors who have authorised the contents of that part of the Document.

- 22.4 Turner Pope Investments (TPI) Ltd (as broker) of 8 Frederick's Place, London, EC2R 8AB has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 22.5 Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 22.6 The accounting reference date of the Company is 31 May. The current accounting period will end on 31 May 2021.
- 22.7 The Issue Price of £0.215 pence represents a premium of £0.214 pence over the nominal value of £0.001 per Ordinary Share.
- 22.8 The Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.
- 22.9 The Group's main operating entity, Graft Polymer Slovenia, operates from leased premises with a notice period of 12 months. The other members of the Group operate from flexible business premises.
- 22.10 Save as otherwise disclosed in this Document, there are no patents or other intellectual property rights or licences which are of fundamental importance to the Group's business or profitability.
- 22.11 On 2 December 2021, the FCA published 'PS21/22: Primary Market Effectiveness Review: Feedback and final changes to the Listing Rules' ("PS21/22"), which confirmed an increase to the minimum market capitalisation ("**MMC**") threshold for both the premium and standard listing segments of the Official List for shares in ordinary commercial companies from £700,000 to £30 million. The expected market capitalisation of the Company on Admission is £22.4 million, which is below the increased MMC of £30 million. As described in PS21/22 there are transitional arrangements for certain companies and new applicants. Because the Company made a completed submission to the FCA for a listing eligibility review prior to 4.00 p.m. on 2 December 2021 to apply for listing based on the MMC of £700,000, and intends to apply to list by 2 June 2023 (ie within 18 months of the date the new rules apply), the transitional arrangements apply to the Company and therefore the Company expects to be eligible to admit its Ordinary Shares to the Official List based on the MMC of £700,000.

23. AVAILABILITY OF THIS DOCUMENT

Copies of the following documents will be available for inspection during usual business hours on any Business Day for a period of 12 months following the date of Document at the offices of RBG Legal Services Limited, trading as Memery Crystal, at 165 Fleet Street, London, EC4A 2DY and on the Group's website: www.graftpolymer.com:

- this Document;
- the Articles;
- the report of PKF Littlejohn, as well as the audited annual consolidated financial statements for the Group in respect of each of the three financial years ended 31 May 2018, 2019 and 2020, and the seven months ended 31 December 2020; and
- the letters confirming the consents referred to in paragraph 22.3 and 22.4 of this Part 11.

Dated 21 December 2021

PART 12

DEFINITIONS

“Accrued Fees”	the aggregate of £497,717 of accrued fees outstanding as at 30 September 2021 to each of Victor Bolduev, Roby Zomer, Pavel Kobzev, Yifat Steuer, Tim Wise, Anthony Eastman, Alex Brooks and Shimony Law Firm;
“Admission”	admission of all of the issued and to be issued Ordinary Shares to the standard segment of the Official List of the Financial Conduct Authority and to trading on the Main Market;
“Advisers’ Plan”	the advisers’ share option plan (to be established conditional on, and with effect from, Admission);
“Articles”	the articles of association of the Company;
“Beneficiary Shareholders”	the persons for whom certain Ordinary Shares were held on trust by the Trustee pursuant to a trust deed in the number set out in paragraph 4.2(i) of Part 11 (<i>Additional Information</i>) of this Document;
“Board”	the board of Directors of the Company;
“Companies Act” or “Act”	the Companies Act 2006 (as amended);
“Concert Party”	together, Tim Wise, Craig Burton, Victor Bolduev, Roby Zomer, Yifat Steuer, Pavel Kobzev, Alex Brooks, Anthony Eastman, Brett Mitchell, William and Diane Mitchell and Michelle Mitchell;
“Convertible Loan Notes”	together, the First Tranche Loan Notes, the Second Tranche Loan Notes and the Third Tranche Loan Notes;
“COVID-19”	an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2);
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by Euroclear UK & Ireland Limited;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended);
“DDS”	Drug Delivery System;
“Directors”	the directors of the Company as at the date of this Document, whose names appear on page 23 of this Document;
“Document”	this prospectus;
“DTR”	the FCA Disclosure Guidance and Transparency Rules;
“EBITDA”	earnings before interest, tax, depreciation and amortisation;
“EMI Options”	has the meaning given in paragraph 26 of Part 8 (<i>Information on the Group</i>) of this Document;
“EMI Plan”	the Company’s enterprise management incentives plan to be established conditional on, and with effect from, Admission;

“Enlarged Share Capital”	the issued share capital of the Company on Admission, comprising the Existing Ordinary Shares and the 34,097,299 new Ordinary Shares (in aggregate) arising from conversion of the Convertible Loan Notes, the capitalisation of the Accrued Fees and the issue of the Placing Shares and Subscription Shares;
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST;
“Executive Directors”	the executive Directors of the Company, as at the date of this Document;
“Existing Ordinary Shares”	the 70,000,000 Ordinary Shares in issue as at the Last Practicable Date;
“Existing Shareholders”	the holders of the Existing Ordinary Shares;
“FCA”	the Financial Conduct Authority of the United Kingdom;
“First Locked Shareholders”	each of the Founder, Pavel Kobzev, Freya Holdings Limited (beneficially owned and controlled by Roby Zomer) and Sputnik Enterprises Limited (beneficially owned and controlled by Roby Zomer and Brett Mitchell);
“First Tranche Loan Notes”	has the meaning given in paragraph 16.6 of Part 11 of this Document (<i>Additional Information</i>);
“First Tranche Noteholders”	means each of Mr William Murray Mitchell & Mrs Diane Joan Mitchell (Mitchell Super Fund a/c), Mr Timothy Leonard Weir & Mr Anthony Christopher Kenny (Tim Weir Super Fund), Sergey Dadonkin, Daniel Erdman, SUF Global Limited, Yeshayhu Polak, Brett Mitchell & Michelle Mitchell (Lefthanders Super Fund a/c), Chitta Lu (HK) Limited, Alba Capital Pty Ltd, the Trustee and Sputnik Enterprises Limited;
“Founder”	Victor Bolduev;
“Fundraising”	together, the Placing and the Subscription (or either of them);
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Graft Polymer” or the “Company”	Graft Polymer (UK) Plc, a company registered in England & Wales with company number 10776788;
“Graft Polymer IP”	Graft Polymer IP Limited, a 100 per cent. subsidiary of Graft Polymer registered in England and Wales with company number 13155105;
“Graft Polymer Slovenia”	Graft Polymer d.o.o., a 100 per cent. owned subsidiary of Graft Polymer registered in Slovenia with registration number 8056200000;
“Group”	the Company and its subsidiaries and subsidiary undertakings (in each case as defined in the Companies Act);
“HAACP”	Hazard Analysis and Critical Control Point;
“Historical Financial Information”	the audited consolidated financial information of the Group for the three years ended 31 May 2020 and the unaudited interim consolidated financial information for the seven months ended 31 December 2020, the unaudited interim consolidated financial information for the six months ended 30 June 2020 and the

	six months ended 30 June 2021, as set out in Parts B and C of the Appendix of this Document;
“HMRC”	Her Majesty’s Revenue and Customs;
“ICAEW”	The Institute of Chartered Accountants in England and Wales;
“IFRS”	International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards;
“IP”	intellectual property;
“ISIN”	International Securities Identification Number;
“Issue Price”	21.5 pence per Placing Share;
“Last Practicable Date”	17 December 2021, being the last practicable date prior to the publication of this Document;
“Listing Rules” or “LRs”	the listing rules made by the FCA under section 73A of FSMA, as amended;
“LTIP”	the Long Term Incentive Plan of the Company to be established conditional on, and with effect from Admission;
“LTIP Options”	has the meaning given in paragraph 26 of Part 8 (<i>Information on the Group</i>) of this Document;
“London Stock Exchange”	London Stock Exchange plc;
“Main Market”	the Main Market for listed securities of the London Stock Exchange;
“MAR”	the EU Market Abuse Regulation (2014/596/EU) as brought into UK domestic law by virtue of European Union (Withdrawal) Act 2018 as amended;
“MGC”	MGC Pharmaceuticals d.o.o.;
“MGC Licence & Royalty Agreement”	the agreement entered into between Graft Polymer IP and MGC, details of which are set out at paragraph 16.16 of Part 11 of this Document (<i>Additional Information</i>);
“Non-Executive Directors”	the non-executive Directors of the Company as at the date of this Document;
“Official List”	the Official List of the FCA;
“Options”	together, the EMI Options and the LTIP Options, or any of them;
“Orderly Market Shareholders”	each of the Founder, Pavel Kobzev, Freya Holdings Limited (beneficially owned and controlled by Roby Zomer), Sputnik Enterprises Limited (beneficially owned and controlled by Roby Zomer and Brett Mitchell), Yifat Steuer, Anthony Eastman and certain other holders of Ordinary Shares as at Admission;
“Ordinary Shares”	the ordinary shares of £0.001 each in the capital of the Company;
“Placing”	the conditional placing of the Placing Shares at the Issue Price pursuant to the Placing Agreement;

“Placing Agreement”	the conditional agreement entered into on or about the date of this Document between the Company, Turner Pope and the Directors in relation to the Placing of the Placing Shares and Admission, details of which are set out in paragraph 16.1 of Part 11 of this Document (<i>Additional Information</i>);
“Placing Shares”	the 20,930,232 Ordinary Shares being issued pursuant to the Placing;
“Premium Listing”	a listing on the premium segment of the Official List;
“Prospectus Regulation”	EU Prospectus Regulation (Regulation (EU) No 2017/1129 as brought into UK domestic law by virtue of European Union (Withdrawal) Act 2018 as amended;
“Prospectus Regulation Rules”	the prospectus regulation rules made by the FCA under Part VI of the FSMA, as amended;
“REACH”	REACH Legislation (EC 1907/2006) – “Registration, Evaluation, Authorisation and Restriction of Chemicals”;
“Research and Development Agreement”	the research and development agreement entered into by Graft Polymer Slovenia and MGC on 30 October 2019;
“RoHS”	Restriction of Hazardous Substances Directive (2002/95/EC);
“Second Locked Shareholders”	Tournesol Consulting Limited and certain other holders of Ordinary Shares as at Admission;
“Second Tranche Loan Notes”	has the meaning given in paragraph 16.7 of Part 11 of this Document (<i>Additional Information</i>);
“Second Tranche Noteholders”	means each of Alba Capital Pty Ltd, Alexander Samuel Brooks and O.T. Capital Modiin Ltd;
“SEDOL”	Stock Exchange Daily Official List;
“Senior Manager”	the senior manager of the Group, being Mr Anthony Eastman;
“Shareholder(s)”	person(s) who is/are registered as holder(s) of Ordinary Shares from time to time;
“Share Option Scheme(s)”	the Company’s enterprise management incentive plan and long term incentive plan, details of which are set out in paragraph 26 Part 8 of this Document (<i>Information on the Group</i>);
“SMSEP”	self-emulsified natural active substances;
“Standard Listing”	a listing on the standard segment of the Official List;
“Subscriber”	Mercer Street Global Opportunity Fund, LLC;
“Subscription”	the direct subscription by the Subscriber for the Subscription Shares;
“Subscription Letter”	the letter dated 15 December 2021 between the Company and the Subscriber in respect of the Subscription;
“Subscription Shares”	2,325,581 new Ordinary Shares, subscribed for at the Issue Price;

“subsidiary” or “subsidiary undertaking”	have the meanings given to them in the Act;
“Swiss BioTech”	Swiss BioTech International AG, a company incorporated in Switzerland with registration number CHE-388.458.173;
“Takeover Code”	the City Code on Takeovers and Mergers published by the Takeover Panel;
“Takeover Panel”	the UK Panel on Takeovers and Mergers;
“Third Tranche Loan Notes”	has the meaning given in paragraph 16.8 of Part 11 of this Document (<i>Additional Information</i>);
“Third Tranche Noteholders”	means each of Simon Catt and Lior Arbel;
“Third Tranche Warrants”	the warrants to subscribe for, in aggregate, 775,194 Ordinary Shares issued to Simon Catt;
“Third Tranche Warrant Instrument”	The instrument governing the issue of the Third Tranche Warrants, further detail on which is contained in paragraph 16.9 of Part 11 of this Document (<i>Additional Information</i>);
“TPI Warrants”	the warrants to subscribe for, in aggregate, 1,255,814 Ordinary Shares being issued to Turner Pope created pursuant to the Warrant Instrument;
“Trustee”	Adv. Shachar Shimony;
“Turner Pope”	Turner Pope Investments (TPI) Ltd, broker to the Company;
“uncertificated” or “in uncertificated form”	Ordinary Shares recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of an instruction issued in accordance with the rules of CREST;
“UK or United Kingdom”	United Kingdom of Great Britain and Northern Ireland;
“Warrants”	together, the TPI Warrants and the Third Tranche Warrants;
“Warrant Instrument”	The instrument governing the issue of the Warrants, further detail on which is contained in paragraph 16.11 of Part 11 of this Document (<i>Additional Information</i>); and
“Working Capital Period”	the 12-month period from the date of this Document.

PART 13**GLOSSARY OF TECHNICAL TERMS**

£ and p	United Kingdom pounds Sterling and pence, respectively
CBD	cannabidiol, a type of cannabinoid
CAGR	compound annual growth rate
EU€ or € or EURO	Euro
HDPE	high-density polyethylene
HFFR	halogen free flame retardant
IPN	interpenetrating polymer networks
MFI	melt flow index
PA	polyamide
PEX	cross-linked polyethylene
R&D	research and development
SNEDDS	self-emulsifying drug delivery system
PS	polystyrene
THC	tetrahydrocannabinol, a type of cannabinoid
US\$	United States Dollar

APPENDIX

PART A: ACCOUNTANT'S REPORT ON THE AUDITED HISTORICAL FINANCIAL INFORMATION OF THE GROUP



The Directors
Graft Polymer (UK) Plc
Eccleston Yards
25 Eccleston Place
London
United Kingdom
SW1W 9NF

Dear Directors

Sirs

Introduction

We report on the financial information of Graft Polymer (UK) Plc (the “**Company**”) and its subsidiary Graft Polymer d.o.o. (together, for the purposes of this Appendix only, “**the Group**”) for the three years to 31 May 2020 and seven months to 31 December 2020 which comprises the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes. This financial information has been prepared for inclusion in the prospectus of the Company dated 21 December 2021 (the “**Document**”) on the basis of the accounting policies set out in note 2 to the financial information. The report is required by Annex 1, item 18.3.1 of the Commission Delegated Regulation (EU) No 2019/980 supplementing the Prospectus Regulation (EU) No 2017/1129 as brought into UK domestic law by virtue of European Union (Withdrawal) Act 2018 as amended (“**PR Regulation**”) and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (“**IFRS**”).

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Document, and to report our opinion to you.

Save for any responsibility arising under 5.3.2R(2)(f) of the prospectus regulation rules made by the FCA under Part VI of the Financial Services and Markets Act 2000, as amended (“**Prospectus Regulation Rules**”) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex 1, item 1.3 of the PR Regulation, consenting to its inclusion in the Document.

Basis of opinion

We conducted our work in accordance with Standards of Investment Reporting issued by the Financial Reporting Council (“**FRC**”) in the United Kingdom. We are independent of the Company and Group in accordance with the FRC’s Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions Relation to Going Concern

We are required to report if we have anything material to add or draw attention to in respect of the Directors’ statement in the Financial Information about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Information and the Directors’ identification of any material uncertainties to the Company’s ability to continue as a going concern over a period of at least twelve months from the date of this Prospectus.

We have nothing material to add or to draw attention to.

Opinion

In our opinion the financial information set out below gives, for the purposes of the Prospectus dated 21 December 2021, a true and fair view of the state of affairs of the Group as at 31 May 2018, 31 May 2019, 31 May 2020 and 31 December 2020 and of the results, cash flows and changes in equity for the periods ended 31 May 2018, 31 May 2019, 31 May 2020 and 31 December 2020 in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and we declare that the information contained in this report is, to the best of our knowledge, in accordance with the facts and that the report contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex 1, item 1.2 of the Prospectus Regulation Rules.

Yours faithfully

PKF Littlejohn LLP
Reporting Accountant

15 Westferry Circus
Canary Wharf
London E14 4HD
21 December 2021

PART B: HISTORICAL FINANCIAL INFORMATION - AUDITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****For the seven months ended 31 December 2020 and years ended 31 May**

		<i>7 Mths to</i>	<i>Year to</i>	<i>Year to</i>	<i>Year to</i>
		<i>31 Dec</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
		<i>2020</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Continuing operations					
Revenue	4	403	330	29	–
Cost of sales		(30)	(46)	(13)	–
		<u>373</u>	<u>284</u>	<u>16</u>	<u>–</u>
Gross profit		373	284	16	–
Operational costs		(88)	(240)	(196)	(21)
Administrative expenses		(367)	(396)	(438)	(465)
		<u>(82)</u>	<u>(352)</u>	<u>(618)</u>	<u>(486)</u>
Operating loss	5	(82)	(352)	(618)	(486)
Depreciation		(71)	(114)	(69)	(8)
Finance costs	9	(7)	(72)	(16)	–
		<u>(160)</u>	<u>(538)</u>	<u>(703)</u>	<u>(494)</u>
Loss before taxation		(160)	(538)	(703)	(494)
Income tax	8	–	–	–	–
		<u>(160)</u>	<u>(538)</u>	<u>(703)</u>	<u>(494)</u>
Loss for the year from continuing operations		(160)	(538)	(703)	(494)
Total loss for the year attributable to equity holders of the parent					
Other comprehensive income		–	(1)	–	(10)
		<u>(160)</u>	<u>(539)</u>	<u>(703)</u>	<u>(504)</u>
Total comprehensive income for the year attributable to equity holders of the parent		(160)	(539)	(703)	(504)
Basic and Diluted Earnings per share - pence	10	(0.23)	(0.79)	(1.03)	(1.00)

The accompanying notes form part of the financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**as at 31 December 2020**

		<i>31 Dec</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
		<i>2020</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets					
Property, plant and equipment	12	415	448	510	518
Intangible assets	11	2,068	2,068	2,068	2,068
Other non-current assets		13	13	13	13
Right of use asset	16	5	27	64	100
Total non-current assets		<u>2,501</u>	<u>2,556</u>	<u>2,655</u>	<u>2,699</u>
Current assets					
Cash and cash equivalents	15	209	25	90	339
Trade and other receivables	14	55	12	17	59
Total current assets		<u>264</u>	<u>37</u>	<u>107</u>	<u>398</u>
TOTAL ASSETS		<u><u>2,765</u></u>	<u><u>2,593</u></u>	<u><u>2,762</u></u>	<u><u>3,097</u></u>
Equity attributable to owners of the parent					
Issued share capital	17	7	7	7	7
Share premium	17	942	3,442	3,442	3,442
Capital reduction reserve	17	2,500	–	–	–
Foreign exchange reserve		(12)	(11)	(10)	(10)
Accumulated losses		(1,895)	(1,735)	(1,197)	(494)
Total equity		<u>1,542</u>	<u>1,703</u>	<u>2,242</u>	<u>2,945</u>
Non-current liabilities					
Lease liability	16	–	–	24	71
Total non-current liabilities		<u>–</u>	<u>–</u>	<u>24</u>	<u>71</u>
Current liabilities					
Borrowings	18	656	534	343	–
Trade and other payables	19	541	319	115	50
Lease liability	16	26	37	38	31
Total current liabilities		<u>1,223</u>	<u>890</u>	<u>396</u>	<u>81</u>
Total liabilities		<u>1,223</u>	<u>890</u>	<u>420</u>	<u>152</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,765</u></u>	<u><u>2,593</u></u>	<u><u>2,762</u></u>	<u><u>3,097</u></u>

The accompanying notes form part of the financial information.

CONSOLIDATED STATEMENT OF CASHFLOWS**For the seven months ended 31 December 2020 and years ended 31 May**

	Note	7 Mths to 31 Dec 2020 £'000	Year to 31 May 2020 £'000	Year to 31 May 2019 £'000	Year to 31 May 2018 £'000
Cash flow from operating activities					
Operating loss – continuing operations		(160)	(538)	(703)	(494)
<i>Adjustments for:</i>					
Depreciation		71	114	69	8
Finance expenses		7	72	16	–
Waiver of interest on convertible loans	18	(77)	–	–	–
Foreign exchange loss		–	2	16	89
<i>Changes in working capital:</i>					
(Increase)/decrease in trade and other receivables		(43)	8	43	(59)
Increase / (decrease) in trade and other payables		205	150	(1)	43
Net cash inflow / (outflow) from operating activities		1	(192)	(560)	(413)
Cash flow from investing activities					
Purchase of property, plant and equipment		(16)	(8)	(20)	(516)
Net cash (outflow) from investing activities		(16)	(8)	(20)	(516)
Cash flows from financing activities					
Proceeds from the issue of share capital, net of issue costs		–	–	–	1,332
Proceeds from borrowings		199	128	328	–
Net cash inflow from financing activities		199	128	328	1,332
Net increase / (decrease) in cash and cash equivalents					
		184	(72)	(252)	403
Cash and cash equivalents at beginning of period		25	90	339	–
Foreign exchange impact on cash		–	7	3	(64)
Cash and cash equivalents at the end of the period	15	<u>209</u>	<u>25</u>	<u>90</u>	<u>339</u>

The accompanying notes form part of the financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the seven months ended 31 December 2020 and years ended 31 May**

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Capital Reduction Reserve £'000</i>	<i>Foreign Exchange Reserve £'000</i>	<i>Accum- ulated Losses £'000</i>	<i>Total Equity £'000</i>
At incorporation	5	–	–	–	–	5
Loss for the period	–	–	–	–	(494)	(494)
Other comprehensive income	–	–	–	(10)	–	(10)
Total comprehensive income for the year	–	–	–	(10)	(494)	(504)
Shares issued during the period	2	3,442	–	–	–	3,444
Total transaction with owners	2	3,442	–	–	–	3,444
Balance at 31 May 2018	7	3,442	–	(10)	(494)	2,945
Loss for the year	–	–	–	–	(703)	(703)
Total comprehensive income for the year	–	–	–	–	(703)	(703)
Total transaction with owners	–	–	–	–	–	–
Balance at 31 May 2019	7	3,442	–	(10)	(1,197)	2,242
Loss for the year	–	–	–	–	(538)	(538)
Other comprehensive income	–	–	–	(1)	–	(1)
Total comprehensive income for the year	–	–	–	(1)	(538)	(539)
Total transaction with owners	–	–	–	–	–	–
Balance at 31 May 2020	7	3,442	–	(11)	(1,735)	1,703
Loss for the year	–	–	–	–	(160)	(160)
Other comprehensive income	–	–	–	(1)	–	(1)
Total comprehensive income for the year	–	–	–	–	(160)	(161)
Reduction in capital	7	(2,500)	2,500	–	–	–
Total transaction with owners	7	(2,500)	2,500	–	–	–
Balance at 31 Dec 2020	7	942	2,500	(12)	(1,895)	1,542

The accompanying notes form part of the financial information.

NOTES TO THE FINANCIAL INFORMATION

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 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 commercialisation of polymer modification technologies and polymer modification techniques.

The consolidated financial information was approved for issue by the Board of Directors on 16 December 2021.

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 Historic Financial Information has been prepared for the sole purpose of publication within this Prospectus. It has been prepared in accordance International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards. The Company Financial Information has been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense.

The Historic Financial Information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

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

The first period presented was for the period from incorporation on 18 May 2017 until 31 May 2018.

2.2 New standards, amendments and interpretations

The Company have adopted all of the new and amended standards and interpretations issued by the International Accounting Standards Board that are relevant to its operations and effective for accounting periods commencing on or after 1 June 2019.

IFRS 16 Leases became applicable to the reporting period, commencing on or after 1 January 2019 replacing IAS 17 Leases. The key change under IFRS 16 is that most leases designated as “operating leases” under IAS 17 now qualify for balance sheet recognition, subject to certain exceptions. The Group has adopted IFRS 16 from the commencement of the lease, which was 15 March 2018, hence has recognised the impact of IFRS 16 on periods prior to IFRS 16 becoming applicable.

The Group reviewed all its leasing arrangements and identified one contract previously classified as operating leases which have been recognised as lease liabilities in the 31 May 2018 / 31 May 2019 / 31 May 2020 and 31 December 2020 balance sheets. An associated right-of-use asset was recognised for each lease.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate, which averaged 10 per cent. across the Group.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 June 2019 as short term leases.

On the date the lease was entered into being, 15 March 2018, the Group recognised the following lease liabilities:

	£'000
Current	38
Non-current	71
Total	<u>109</u>

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 May 2019.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Right-of-use assets recognised on 1 June 2019 were:

	£'000
Properties	109
Total	<u>109</u>

No other standards or Interpretations that came into effect for the first time for the financial year beginning 1 June 2019 have had an impact on the Group or Company.

2.3 New standards and interpretations not yet adopted

At the date of approval of the financial information, the following standards and interpretations which have not been applied in the financial information were in issue but not yet effective:

- Amendments to IFRS 7 and IFRS 9: Interest Rate Benchmark Reform – Phase 2 – effective from 1 January 2021
- Amendments to IFRS 3: References to Conceptual Framework in IFRS Standards – effective from 1 January 2022
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract – effective from 1 January 2022
- Amendments to IAS 16: Proceeds before Intended Use – effective from 1 January 2022
- Annual Improvements: 2018-2020 Cycle – effective from 1 January 2022
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – effective 1 January 2022*
- Amendments to IFRS 17: Insurance Contracts – effective from 1 January 2023
- Amendments to IAS 8: Accounting Estimates – effective from 1 January 2023
- Amendments to IAS 1: Classification of Liabilities as Current and Non-Current – effective from 1 January 2023

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

2.4 Going concern

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

The directors note that COVID-19 had a significant negative impact on the global economy and global supply chain. Having prepared budgets and cash flow forecasts covering the going concern period which have been stress tested for the negative impact of possible scenarios, the Directors are pursuing Admission and as a result believe the Company 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 information does not reflect any adjustments that would be required if they were to be prepared other than on a going concern basis.

2.5 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.

2.6 Foreign currency translation

(i) **Functional and presentation currency**

Items included in the financial information 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 information 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.

2.7 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.

2.8 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').

2.9 Cash and cash equivalents

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

2.10 Financial instruments

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

(a) **Classification**

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

- those to be measured at amortised cost.

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.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour and other direct costs. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 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.

2.13 Equity

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

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.

Capital contribution from parent is recognised at fair value of the debt forgiven by the parent company. At the reporting date, any debts due to or due from group companies are reviewed.

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

2.14 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.

2.15 Revenue

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

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

Step 2: Identify 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.

2.16 Taxation

Taxation comprises current and deferred tax.

Current tax is based on taxable profit or loss for the period. Taxable profit or loss differs from profit or loss 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 asset or liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.17 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.

2.18 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.

2.19 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial information 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.

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 information. 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 with the key estimates being; no revenue growth for post 18 months; a 5 year life span; and a discount rate of 15 per cent.. In the current period these intangible assets were not impaired as they were considered recoverable based on the future potential of the know-how held which is to be fully exploited following the funds received from the forecast Admission.

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 all periods covered by the Historic Financial Information the Group operated in the single business segment of polymer development and production.

4. REVENUE

	<i>7 Mths to 31 Dec 2020 £'000</i>	<i>Year to 31 May 2020 £'000</i>	<i>Year to 31 May 2019 £'000</i>	<i>Year to 31 May 2018 £'000</i>
Sales revenue	306	322	28	–
Other revenue	97	8	1	–
	<u>403</u>	<u>330</u>	<u>29</u>	<u>–</u>

Within the sales revenue, there were 2 customers that accounted for greater than 10 per cent. of total revenue of the Group contributing £240,000 (2020: 2 customers – £264,000 / 2019, 1 customer – £3,000).

5. OPERATING LOSS

Operating loss from continued operations is stated after (charging) / crediting:

	<i>7 Mths to 31 Dec 2020 £'000</i>	<i>Year to 31 May 2020 £'000</i>	<i>Year to 31 May 2019 £'000</i>	<i>Year to 31 May 2018 £'000</i>
Operating costs	(88)	(240)	(196)	(21)
Director and employee costs	(167)	(291)	(210)	(122)
Professional and consulting fees	(184)	(64)	(122)	(206)
Insurance	(2)	(2)	(2)	(6)
Travel expenses	(1)	(5)	(6)	(6)
Foreign exchange	–	(2)	(16)	(89)
Other expenses	(13)	(32)	(82)	(36)
	<u>(455)</u>	<u>(636)</u>	<u>(634)</u>	<u>(486)</u>

6. AUDITORS REMUNERATION

	<i>7 Mths to 31 Dec 2020 £'000</i>	<i>Year to 31 May 2020 £'000</i>	<i>Year to 31 May 2019 £'000</i>	<i>Year to 31 May 2018 £'000</i>
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	–	–	–	–
Tax compliance services	–	–	–	–
Corporate finance and company secretary fees	1	1	2	–
	<u>1</u>	<u>1</u>	<u>2</u>	<u>–</u>

No auditors' fees were incurred in the period, the audit fees in relation to the IPO were incurred post year end.

7. STAFF COSTS AND DIRECTORS' EMOLUMENTS

Directors' remuneration and employee costs for the Group is set out below:

	<i>7 Mths to 31 Dec 2020 £'000</i>	<i>Year to 31 May 2020 £'000</i>	<i>Year to 31 May 2019 £'000</i>	<i>Year to 31 May 2018 £'000</i>
Directors remuneration	142	241	173	122
Employee costs	25	50	37	–
	<u>167</u>	<u>291</u>	<u>210</u>	<u>122</u>

On average, excluding non-executive directors, the Group employed 6 technical staff members (31 May 2020: 6 / 31 May 2019: 4 / 31 May 2018: 2) and 3 administration staff member (31 May 2020: 3 / 31 May 2019: 2 / 31 May 2018: 2).

The highest paid director for the period received remuneration of £69,000 (31 May 2020: £127,000 / 31 May 2019: £116,000 / 31 May 2018: £79,000).

8. TAXATION

No liability to incomes taxes arise in the year.

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:

	<i>7 Mths to 31 Dec 2020 £'000</i>	<i>Year to 31 May 2020 £'000</i>	<i>Year to 31 May 2019 £'000</i>	<i>Year to 31 May 2018 £'000</i>
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	(160)	(538)	(703)	(494)
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% / 31 May 2019: 19% / 31 May 2018: 19%)	(30)	(102)	(134)	(94)
Unrelieved tax losses arising in the year	30	102	134	94
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. The accumulated tax losses are estimated to amount to £360k (31 May 2020: £330k / 31 May 2019: £228k / 31 May 2018: £94k).

9. FINANCE COSTS – NET

	<i>7 Mths to 31 Dec 2020 £'000</i>	<i>Year to 31 May 2020 £'000</i>	<i>Year to 31 May 2019 £'000</i>	<i>Year to 31 May 2018 £'000</i>
Interest expense - borrowings	–	(65)	(13)	–
Finance charge on leased assets	(7)	(7)	(3)	–
Finance costs - net	(7)	(72)	(16)	–

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.

	<i>7 Mths to 31 Dec 2020 £'000</i>	<i>Year to 31 May 2020 £'000</i>	<i>Year to 31 May 2019 £'000</i>	<i>Year to 31 May 2018 £'000</i>
Loss for the year from continuing operations – £	(160,000)	(539,000)	(703,000)	(504,000)
Weighted number of ordinary shares in issue	68,336,957	68,000,000	68,000,000	49,353,175
Basic and diluted earnings per share from continuing operations – pence	(0.23)	(0.79)	(1.03)	(1.00)

There is no difference between the diluted loss per share and the basic loss per share presented. Share options and warrants could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the year presented. See note 17 for further details.

11. INTANGIBLE ASSETS

	<i>31 Dec</i> <i>2020</i> <i>£'000</i>	<i>31 May</i> <i>2020</i> <i>£'000</i>	<i>31 May</i> <i>2019</i> <i>£'000</i>	<i>31 May</i> <i>2018</i> <i>£'000</i>
Opening balance	2,068	2,068	2,068	–
Additions	–	–	–	2,068
	<u>2,068</u>	<u>2,068</u>	<u>2,068</u>	<u>2,068</u>

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 year end, the Directors assess the intangible assets for any indicators of impairment and have concluded no presence of such indicators, hence concluded that no impairment charge was necessary during the year (31 May 2020: £nil / 31 May 2019: £nil / 31 May 2018: £nil).

12. PROPERTY, PLANT AND EQUIPMENT

	<i>Plant & Equipment</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Cost		
Additions	517	517
Exchange impact	1	1
At 31 May 2018	518	518
Additions	20	20
Exchange impact	4	4
At 31 May 2019	542	542
Additions	8	8
Exchange impact	10	10
At 31 May 2020	560	560
Additions	16	16
Exchange impact	(1)	(1)
At 31 December 2020	<u>575</u>	<u>575</u>
Depreciation		
Charge for the year	–	–
Exchange impact	–	–
At 31 May 2018	–	–
Charge for the year	(32)	(32)
Exchange impact	–	–
At 31 May 2019	(32)	(32)
Charge for the year	(77)	(77)
Exchange impact	(3)	(3)
At 31 May 2020	(112)	(112)
Charge for the year	(49)	(49)
Exchange impact	1	1
At 31 December 2020	<u>(160)</u>	<u>(160)</u>
Net book value at 31 May 2018	<u>518</u>	<u>518</u>

	<i>Plant & Equipment</i> £'000	<i>Total</i> £'000
Net book value at 31 May 2019	510	510
Net book value at 31 May 2020	448	448
Net book value at 31 December 2020	415	415

13. INVESTMENT

Company subsidiary undertakings

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

<i>Name</i>	<i>Holding</i>				<i>Business Activity</i>	<i>Country of Incorporation</i>	<i>Registered Address</i>
	<i>31 Dec 2020</i>	<i>31 May 2020</i>	<i>31 May 2019</i>	<i>31 May 2018</i>			
Graft Polymer d.o.o.	100%	100%	100%	100%	Polymer development and production	Slovenia	Emonska Cesta 8, 1000, Ljubljana, Slovenia

Subsequent to period end, Graft Polymer IP Limited was incorporated in England and Wales as a 100% held subsidiary of the Company with business activities of holding the Group's IP.

14. TRADE AND OTHER RECEIVABLES

	<i>31 Dec 2020</i> £'000	<i>31 May 2020</i> £'000	<i>31 May 2019</i> £'000	<i>31 May 2018</i> £'000
Trade receivables	3	3	1	–
Other taxes and social security	34	4	9	15
Prepayment and accrued income	–	–	2	36
Other receivables	18	5	5	8
	<u>55</u>	<u>12</u>	<u>17</u>	<u>59</u>

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.

	<i>31 Dec 2020</i> £'000	<i>31 May 2020</i> £'000	<i>31 May 2019</i> £'000	<i>31 May 2018</i> £'000
Cash and cash equivalents	209	25	90	339
	<u>209</u>	<u>25</u>	<u>90</u>	<u>339</u>

16. LEASES

The Group had the following lease assets and liabilities:

	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
<i>Right of use assets</i>				
Properties	5	27	64	100
	<u>5</u>	<u>27</u>	<u>64</u>	<u>100</u>
<i>Lease liabilities</i>				
Current	26	37	38	31
Non-current	–	–	24	71
	<u>26</u>	<u>37</u>	<u>62</u>	<u>102</u>
	<u><u>5</u></u>	<u><u>27</u></u>	<u><u>64</u></u>	<u><u>100</u></u>
	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
Maturity on the lease liabilities are as follows:				
Current	26	37	38	31
Due between 1-2 years	–	–	24	38
Due between 2-5 years	–	–	–	31
Due beyond 5 years	–	–	–	–
	<u>26</u>	<u>37</u>	<u>62</u>	<u>102</u>
	<u><u>26</u></u>	<u><u>37</u></u>	<u><u>62</u></u>	<u><u>102</u></u>

Right of use assets

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

	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
<i>Properties</i>				
Opening balance	27	64	100	–
Opening balance on adoption of IFRS 16	–	–	–	109
Depreciation	(22)	(37)	(37)	(8)
Impact of foreign exchange	–	–	1	(1)
	<u>5</u>	<u>27</u>	<u>64</u>	<u>100</u>
	<u><u>5</u></u>	<u><u>27</u></u>	<u><u>64</u></u>	<u><u>100</u></u>

17. SHARE CAPITAL

	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
Issued and fully paid ordinary shares with a nominal value of 0.01p (31 May 2020: 0.01p / 31 May 2019: 0.01p / 31 May 2018: 0.01p)				
Number of shares	70,000,000	68,000,000	68,000,000	68,000,000
Nominal value (£'000)	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>7</u></u>

Change in issued Share Capital and Share Premium:

<i>Ordinary shares</i>	<i>Number of shares</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Total £'000</i>
On incorporation at 18 May 2017	4,500,000	–	–	–
Shares issued for facilitation of acquisition ¹	8,000,000	1	–	1
Shares issued on acquisition of know-how ¹	22,500,000	2	2,066	2,068
Shares issued for cash of £0.0919 ¹	15,000,000	2	1,376	1,378
Shares issued as trust shares ^{1,2}	18,000,000	2	–	2
Balance at 31 May 2018	68,000,000	7	3,442	3,449
Balance at 31 May 2019	68,000,000	7	3,442	3,449
Balance at 31 May 2020	68,000,000	7	3,442	3,449
Shares issued as trust shares ²	2,000,000	–	–	–
Transfer from share premium to capital reduction reserve ³	–	–	(2,500)	(2,500)
Balance at 31 December 2020	70,000,000	7	942	949

1 Shares issued on 6 September 2020.

2 The trust shares were 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 generating €5,000,000 in revenue in a 12 month period.

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

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 period, 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 4 of this report.

18. BORROWINGS

	<i>31 Dec 2020 £'000</i>	<i>31 May 2020 £'000</i>	<i>31 May 2019 £'000</i>	<i>31 May 2018 £'000</i>
Convertible note borrowings	656	456	329	–
Convertible note accrued interest	–	78	14	–
	<u>656</u>	<u>534</u>	<u>343</u>	<u>–</u>
	<i>31 Dec 2020 £'000</i>	<i>31 May 2020 £'000</i>	<i>31 May 2019 £'000</i>	<i>31 May 2018 £'000</i>
Opening balance	534	343	329	–
Convertible loans issued	199	127	329	–
Interest (waived) / accrued	(77)	64	14	–
Closing balance	<u>656</u>	<u>534</u>	<u>343</u>	<u>–</u>

During the period, the Company raised £199,000 (31 May 2020 £127,000 / 31 May 2019: £329,000 / 31 May 2018: £nil), 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 per cent. of the price per share of the capital raise or IPO.

During the period, 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
 - 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:
 - 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 generating €5,000,000 in revenue in a 12 month period.

19. TRADE AND OTHER PAYABLES

	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
Trade payables	314	191	71	39
Accruals	194	119	41	3
Other payables	33	9	3	8
	<u>541</u>	<u>319</u>	<u>115</u>	<u>50</u>

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

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

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

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

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

Credit Risk

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

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

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

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

	<i>31 Dec 2020 Carrying Value £'000</i>	<i>31 Dec 2020 Maximum Exposure £'000</i>	<i>31 May 2020 Carrying Value £'000</i>	<i>31 May 2020 Maximum Exposure £'000</i>
Cash and cash equivalents	209	209	25	25
Trade receivables	3	3	3	3
	<u>212</u>	<u>212</u>	<u>28</u>	<u>28</u>
	<i>31 May 2019 Carrying Value £'000</i>	<i>31 May 2019 Maximum Exposure £'000</i>	<i>31 May 2018 Carrying Value £'000</i>	<i>31 May 2018 Maximum Exposure £'000</i>
Cash and cash equivalents	90	90	339	339
Trade receivables	1	1	–	–
	<u>91</u>	<u>91</u>	<u>339</u>	<u>339</u>

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, Australian Dollars and New Zealand Dollars. 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 2020.

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:

	<i>31 Dec 2020 £'000</i>	<i>31 May 2020 £'000</i>	<i>31 May 2019 £'000</i>	<i>31 May 2018 £'000</i>
Cash and cash equivalents				
Sterling	133	2	–	28
Euro	76	23	64	122
Australian Dollars	–	–	26	189
	<u>209</u>	<u>25</u>	<u>90</u>	<u>339</u>

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

	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
<i>Balance denominated in</i>				
Sterling	27	(5)	(5)	24
Euro	(129)	(161)	(1)	87
Australian dollars	–	–	26	189
	<u>(102)</u>	<u>(166)</u>	<u>20</u>	<u>300</u>

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:

	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
Cash and cash equivalents	209	25	90	339
	<u>209</u>	<u>25</u>	<u>90</u>	<u>339</u>

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

	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
Due in less than one month	541	319	115	50
Due between one and three months	–	–	–	–
Due between three months and one year	–	–	–	–
	<u>541</u>	<u>319</u>	<u>115</u>	<u>50</u>

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:

	<i>31 Dec</i> <i>2020</i> £'000	<i>31 May</i> <i>2020</i> £'000	<i>31 May</i> <i>2019</i> £'000	<i>31 May</i> <i>2018</i> £'000
Bank balances	209	25	90	339
	<u>209</u>	<u>25</u>	<u>90</u>	<u>339</u>

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

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	<i>Financial assets at amortised cost £'000</i>	<i>Financial liabilities at amortised cost £'000</i>	<i>Total £'000</i>
<i>31 Dec 2020</i>			
<i>Financial assets / liabilities</i>			
Trade and other receivables	55	–	55
Cash and cash equivalents	209	–	209
Trade and other payables	–	(314)	(314)
	<u>259</u>	<u>(314)</u>	<u>(55)</u>
	<i>Financial assets at amortised cost £'000</i>	<i>Financial liabilities at amortised cost £'000</i>	<i>Total £'000</i>
<i>31 May 2020</i>			
<i>Financial assets / liabilities</i>			
Trade and other receivables	12	–	12
Cash and cash equivalents	25	–	25
Trade and other payables	–	(200)	(200)
	<u>37</u>	<u>(200)</u>	<u>(163)</u>
	<i>Financial assets at amortised cost £'000</i>	<i>Financial liabilities at amortised cost £'000</i>	<i>Total £'000</i>
<i>31 May 2019</i>			
<i>Financial assets / liabilities</i>			
Trade and other receivables	17	–	17
Cash and cash equivalents	90	–	90
Trade and other payables	–	(74)	(74)
	<u>107</u>	<u>(74)</u>	<u>33</u>
	<i>Financial assets at amortised cost £'000</i>	<i>Financial liabilities at amortised cost £'000</i>	<i>Total £'000</i>
<i>31 May 2018</i>			
<i>Financial assets / liabilities</i>			
Trade and other receivables	59	–	59
Cash and cash equivalents	339	–	339
Trade and other payables	–	(47)	(47)
	<u>398</u>	<u>(47)</u>	<u>351</u>

22. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2020, 31 May 2020, 31 May 2019 or 31 May 2018.

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 per cent. 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.

Other than above, there were no further contingent liabilities at 31 December 2020, 31 May 2020, 31 May 2019 or 31 May 2018.

24. 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:

	<i>Amounts owed by group companies</i>			
	<i>Opening Balance</i>	<i>Movement in year</i>	<i>Provisions in year</i>	<i>Closing Balance</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Graft Polymer d.o.o. – 31 May 2018	–	763	–	763
Graft Polymer d.o.o. – 31 May 2019	763	495	–	1,258
Graft Polymer d.o.o. – 31 May 2020	1,258	81	–	1,339
Graft Polymer d.o.o. – 31 Dec 2020	1,339	(5)	–	1,334

At 31 December 2020 the Company had an outstanding amount receivable from Graft Polymer d.o.o. of £1,334,000 (31 May 2020: £1,339,000 / 31 May 2019: £1,258,000 / 31 May 2018: £763,000). The Company has applied the expected credit loss model as required under IFRS 9 and are comfortable that there are no impairment indications. The amount owed is unsecured, interest free, and has no fixed terms of repayment. The balance will be settled in cash. No guarantees have been given or received.

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

	<i>7 Mths to</i>	<i>Year to</i>	<i>Year to</i>	<i>Year to</i>
	<i>31 Dec</i>	<i>31 May</i>	<i>31 May</i>	<i>31 May</i>
	<i>2020</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Mr V Bolduev	69	127	116	79
Mr R Zomer	15	26	26	16
Mr A Eastman	21	36	36	27
Mr T Wise	7	12	–	–
Mr P Kobzev	31	44	–	–
Mr B Lawrence	–	–	–	–
	<u>143</u>	<u>245</u>	<u>178</u>	<u>122</u>

During the 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 £214,000 (31 May 2020: £187,000 / 31 May 2019: £nil / 31 May 2018: £nil) with £nil owed by MGC to the Group at year end (31 May 2020: £nil / 31 May 2019: £nil / 31 May 2018: £nil).

25. EVENTS SUBSEQUENT TO PERIOD END

Subsequent to year end the Company raised £300,000 through two £150,000 convertible loan notes and upon the Company completing a minimum capital raise of £1,000,000 on IPO, £150,000 shall be convertible at a price of 80 per cent. of the price per share of the capital raise or IPO and the remaining £150,000 shall be convertible at a price of 90 per cent. of the price per share of the capital raise or IPO.

Other than above, there have been no further events subsequent to period end.

26. 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.

PART C

INTERIM HISTORICAL FINANCIAL INFORMATION – UNAUDITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Unaudited Six months to 30 Jun 2021 £'000	Unaudited Six months to 30 Jun 2021 £'000	Audited Year ended 31 Dec 2020 £'000
Continuing operations				
Revenue	3	226	205	306
Cost of sales		(82)	(36)	(30)
Gross profit		144	169	276
Other income		1	6	97
Operational costs		(137)	(96)	(88)
Administrative expenses		(365)	(207)	(367)
Operating profit / (loss)	4	(357)	(128)	(82)
Depreciation		(45)	(57)	(71)
Finance costs		(5)	(5)	(7)
Loss before taxation		(407)	(190)	(160)
Income tax		–	–	–
Loss for the period from continuing operations		(407)	(190)	(160)
Total loss for the period attributable to equity holders of the parent				
Other comprehensive loss		(8)	4	(1)
Total comprehensive loss for the period attributable to equity holders of the parent		(415)	(186)	(161)
Basic and Diluted Earnings per share (p)	5	(0.58)	(0.27)	(0.23)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		<i>Unaudited</i>	<i>Audited</i>
		<i>30 Jun 2021</i>	<i>31 Dec 2020</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets			
Property, plant and equipment	6	356	415
Intangible assets	7	2,068	2,068
Other non-current assets		13	13
Right of use asset		–	5
Total non-current assets		<u>2,437</u>	<u>2,501</u>
Current assets			
Cash and cash equivalents		154	209
Trade and other receivables		49	55
Total current assets		<u>203</u>	<u>264</u>
TOTAL ASSETS		<u><u>2,640</u></u>	<u><u>2,765</u></u>
Equity attributable to owners of the parent			
Issued share capital	11	7	7
Share premium		942	942
Capital reduction reserve		2,500	2,500
Foreign exchange reserve		(20)	(12)
Accumulated losses		(2,302)	(1,895)
Total equity		<u>1,127</u>	<u>1,542</u>
Current liabilities			
Trade and other payables	9	707	656
Borrowings	10	806	541
Lease liability		–	26
Total current liabilities		<u>1,513</u>	<u>1,223</u>
Total liabilities		<u>1,513</u>	<u>1,223</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,640</u></u>	<u><u>2,765</u></u>

CONSOLIDATED STATEMENT OF CASHFLOWS

For the six months ended 30 June 2021

	<i>Unaudited</i> <i>Six months</i> <i>to 30 Jun</i> <i>2021</i> <i>£'000</i>	<i>Unaudited</i> <i>Six months</i> <i>to 30 Jun</i> <i>2020</i> <i>£'000</i>	<i>Audited</i> <i>Year ended</i> <i>31 Dec</i> <i>2020</i> <i>£'000</i>
Cash flow from operating activities			
Operating loss – continuing operations	(407)	(190)	(160)
<i>Adjustments for:</i>			
Depreciation – property plant and equipment	50	49	71
Depreciation – right of use asset	5	8	
Waiver of interest on convertible loans	–	–	(77)
Finance charge	5	5	7
Foreign exchange loss	2	(1)	–
<i>Changes in working capital:</i>			
(Increase)/decrease in trade and other receivables	10	(3)	(43)
Increase in trade and other payables	168	66	205
Net cash inflow / (outflow) from operating activities	<u>(179)</u>	<u>(66)</u>	<u>1</u>
Cash flow from investing activities			
Payment lease liability	(16)	(32)	–
Purchase of property, plant and equipment	–	(4)	(16)
Net cash outflow from investing activities	<u>–</u>	<u>(36)</u>	<u>(16)</u>
Cash flows from financing activities			
Proceeds from borrowings	150	–	199
Net cash inflow from financing activities	<u>134</u>	<u>–</u>	<u>199</u>
Net decrease in cash and cash equivalents	(45)	(102)	184
Cash and cash equivalents at beginning of period	209	90	25
Foreign exchange impact on cash	(10)	(33)	–
Cash and cash equivalents at the end of the period	<u><u>154</u></u>	<u><u>21</u></u>	<u><u>209</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	<i>Share Capital £'000</i>	<i>Share Premium £'000</i>	<i>Capital Reduction Reserve £'000</i>	<i>Foreign Exchange Reserve £'000</i>	<i>Accumu- lated Losses £'000</i>	<i>Total Equity £'000</i>
At 1 January 2020	7	3,442	–	(26)	(1,544)	1,879
Loss for the period	–	–	–	–	(190)	(190)
Other comprehensive loss	–	–	–	4	–	4
Total comprehensive loss for the period	–	–	–	4	(190)	(186)
Balance at 30 Jun 2020 – (unaudited)	<u>7</u>	<u>3,442</u>	<u>–</u>	<u>(22)</u>	<u>(1,734)</u>	<u>1,693</u>
At 1 January 2021	7	942	2,500	(12)	(1,895)	1,542
Loss for the period	–	–	–	–	(407)	(407)
Other comprehensive loss	–	–	–	(8)	–	(8)
Total comprehensive loss for the period	–	–	–	(8)	(407)	(415)
Balance at 30 June 2021 – (unaudited)	<u><u>7</u></u>	<u><u>942</u></u>	<u><u>2,500</u></u>	<u><u>(20)</u></u>	<u><u>(2,302)</u></u>	<u><u>1,127</u></u>

NOTES TO THE FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed Interim Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (“IFRS IC”) as adopted in the UK and IAS 34 “Interim Financial Reporting”. The Interim Financial Information does not include all disclosures that would otherwise be required in a complete set of financial information but have been prepared in accordance with the existing accounting policies and policies expected to be applied in the Financial Statements for the year ended 31 December 2021. The Interim Financial Information should be read in conjunction with the Historic Financial Information for the period ended 31 December 2020 as included in Part B of the Appendix.

The Interim Financial Information for the half year ended 30 June 2021 is unaudited.

The Historic Financial Information of the Group, as included in Part B of the Appendix is prepared in accordance with IFRS. The same accounting policies, presentation and methods of computation are followed in the Interim Financial Information as were applied in the audited Historic Financial Information.

No new policies were issued by IASB that are applicable to the period ended 31 December 2020.

The Interim Financial Information has been prepared on a going concern basis.

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

1.1 GOING CONCERN

The interim financial information has been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

The Directors prepared budgets and cash flow forecasts covering the going concern period which have been stress tested for the negative impact of possible scenarios from COVID-19, which impact has lessened significantly since the height of the pandemic and continues to do so subsequent to period end. 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 the financial information.

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 interim financial information does not reflect any adjustments that would be required if they were to be prepared other than on a going concern basis.

1.2 CRITICAL ACCOUNTING ESTIMATES

The preparation of condensed Interim Financial Information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and disclosure of contingent assets and liabilities at the end of the reporting period. Significant items subject to such estimates are set out in note 2.19 of the Group’s Historic Financial Information as included in Part B of the Appendix. Actual amounts may differ from these estimates. The nature and amounts of such estimates have not changed significantly during the interim period.

2. 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 six month period ended 30 June 2021 the Group operated in the single business segment of polymer development and production.

3. REVENUE

	<i>6 Mths to 30 Jun 2021 £'000</i>	<i>6 Mths to 30 Jun 2020 £'000</i>
Sales revenue	226	205
	<u>226</u>	<u>205</u>

4. OPERATING LOSS

Operating loss from continued operations is stated after (charging) / crediting:

	<i>6 Mths to 30 Jun 2021 £'000</i>	<i>6 Mths to 30 Jun 2020 £'000</i>
Operating costs	(204)	(96)
Director and employee costs	(142)	(142)
Professional and consulting fees	(194)	(2)
Travel expenses	(2)	(1)
Other expenses	(27)	(16)
	<u>(569)</u>	<u>(257)</u>

5. 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.

	<i>Six months to 30 Jun 2021 (unaudited)</i>	<i>Six months to 30 Jun 2020 (unaudited)</i>	<i>Twelve months to 31 Dec 2020 (audited)</i>
Loss for the year from continuing operations – £	(407,000)	(190,000)	(160,000)
Weighted number of ordinary shares in issue	<u>70,000,000</u>	<u>68,000,000</u>	<u>68,336,957</u>
Basic and diluted earnings per share from continuing operations – pence	<u>(0.58)</u>	<u>(0.27)</u>	<u>(0.23)</u>

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

6. PROPERTY, PLANT AND EQUIPMENT

	<i>Plant & Equipment £'000</i>	<i>Total £'000</i>
Cost		
At 1 June 2020 – (audited)	560	560
Additions	16	16
Exchange impact	(1)	(1)
At 31 December 2020 – (audited)	575	575
Additions	–	–
Exchange impact	(27)	(27)
At 30 June 2021 – (unaudited)	548	548
Depreciation		
At 1 June 2020	(112)	(112)
Charge for the year	(49)	(49)
Exchange impact	1	1
At 31 December 2020 – (audited)	(160)	(160)
Charge for the period	(40)	(40)
Exchange impact	8	8
At 30 June 2021 – (unaudited)	(192)	(192)
Net book value at 31 December 2020	415	415
Net book value at 30 June 2021	356	356

7. INTANGIBLE

	<i>30 June 2021 (unaudited) £'000</i>	<i>31 Dec 2020 (audited) £'000</i>
Opening balance	2,068	2,068
Additions	–	–
	2,068	2,068

At each period / year end, the Directors assess the intangible assets for any indicators of impairment and have concluded no presence of such indicators, hence concluded that no impairment charge was necessary during the year (31 Dec 2020: £nil).

8. INVESTMENT**Company subsidiary undertakings**

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

<i>Name</i>	<i>Holding</i>		<i>Business Activity</i>	<i>Country of Incorporation</i>	<i>Registered Address</i>
	<i>30 Jun 2021</i>	<i>31 Dec 2020</i>			
Graft Polymer d.o.o.	100%	100%	Polymer development and production	Slovenia	Emonska Cesta 8, 1000, Ljubljana, Slovenia
Graft Polymer IP Limited	100%	–	Holder of all Group Intellectual Property	England & Wales	Eccleston Yards, 25 Eccleston Place, London, SW1W 9NF

9. TRADE AND OTHER PAYABLES

	30 June 2021 (unaudited) £'000	31 Dec 2020 (audited) £'000
Trade payables	400	314
Accruals	275	194
Other payables	32	33
	<u>707</u>	<u>541</u>

10. BORROWINGS

	30 June 2021 (unaudited) £'000	31 Dec 2020 (audited) £'000
Convertible note borrowings	806	656
	<u>806</u>	<u>656</u>

	30 June 2021 (unaudited) £'000	31 Dec 2020 (audited) £'000
Opening balance	656	534
Convertible loans issued	150	199
Interest (waived) / accrued	–	(77)
Closing balance	<u>806</u>	<u>656</u>

During the period, the Company raised £150,000 (31 Dec 2020 £199,000), through a convertible loan note and upon the Company completing a minimum capital raise of £1,000,000 on IPO, the loan shall be convertible at a price of 90 per cent. of the price per share of the capital raise or IPO (31 Dec 2020 £199,000 – convertible at a price of 80 per cent. of the price per share of the capital raise of IPO).

During the prior period, the terms of the £534,000 raised through 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
 - 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, then 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:
 - 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.

11. SHARE CAPITAL

	<i>20 Jun 2021 (unaudited)</i>	<i>31 Dec 2020 (audited)</i>
Issued and fully paid ordinary shares with a nominal value of 0.1p (2020: 0.01p)		
Number of shares	70,000,000	70,000,000
Nominal value (£'000)	<u>7</u>	<u>7</u>

The board approved a capital reduction under Section 642 of the Companies Act 2006 during the seven months to 31 December 2021, cancelling £2,500,000 from the Company's share premium.

12. RELATED PARTY TRANSACTIONS

The Group's investments in subsidiaries have been disclosed in note 5.

Intragroup transactions and balances are all eliminated on consolidation and not disclosed.

Details of directors' emoluments are set out below.

	<i>6 Mths to 30 Jun 2021 (unaudited) £'000</i>	<i>6 Mths to 30 Jun 2020 (unaudited) £'000</i>
Mr V Bolduev	58	58
Mr R Zomer	13	13
Mr A Eastman	18	18
Mr T Wise	6	6
Mr P Kobzev	27	27
Mr B Lawrence	–	–
	<u>122</u>	<u>122</u>

Previously the Group had 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 £nil (30 Jun 2020: £187,000) with £nil owed by MGC to the Group at period end (2020: £nil).

13. EVENTS SUBSEQUENT TO PERIOD END

Subsequent to period end, the Company raised £150,000 through a convertible loan note which is to be convertible upon the Company completing a minimum capital raise of €500,000 or IPO, the loan shall be convertible at a price of 80 per cent. of the price per share of the capital raise or IPO.

Other than the above, there have been no further events subsequent to period end.

