



**Annual Report & Financial Statements
for the year ended 31 December 2023**

Company Registration No. 10776788 (England and Wales)

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
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GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
COMPANY INFORMATION

DIRECTORS

Nicholas Nelson – Non Executive Chairman (appointed 15 March 2024)
Victor Bolduev – CEO & CTO
Yifat Steuer – CFO
Pavel Kobzev – CMO

COMPANY SECRETARY

Anthony Eastman

REGISTERED OFFICE

Eccleston Yards
25 Eccleston Place
London, SW1W 9NF

REGISTERED NUMBER

10776788

BROKERS

Allenby Capital
5 St Helens Place,
London, EC3A 6AB

INDEPENDENT AUDITOR

PKF Littlejohn LLP
15 Westferry Circus
London, E14 4HD

SOLICITORS

Hill Dickinson LLP
Floor 7, The Broadgate Tower
20 Primrose Street
EC2A 2EW

BANKERS

HSBC Bank Plc
153 North Street
Brighton, BN1 1SW

SHARE REGISTRARS

Share Registrars
The Courtyard
17 West Street
Farnham, GU7 7D

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
CHAIRMAN'S STATEMENT

I provide below the Chairman's statement for Graft Polymer for the year ended 31 December 2023 and wish to include some commentary about the period in question and the Company's prevailing plans.

Highlights

- Cash and cash equivalents at year end were £0.155 million
- Loss before taxation for the year was £3.120 million
- Net cash outflow for the year was £1.486 million
- The Group held net assets at year end of £2.026 million

Post period end activities:

- Nicholas Nelson appointed as Non-Executive Chairman and co-provider of a £200,000 working capital loan facility to enable the Company to prepare itself for a future fund-raise
- Appointment of Allenby Capital as broker to the Company

We plan to announce the disposal of the Slovenian entity due to the slow pick-up of revenue and ongoing constraints. With a negative forecasted cash position in the near future leading to an increase in liability rather than a profit centre the Directors will be looking to dispose of the subsidiary to a private consortium in Slovenia for nominal consideration. Leaving our focus on, what we believe to be, the highly prospective Graft Bio division. More on that below.

Review of the year just ended

In July 2023 the Company announced the commissioning of the production facility in Slovenia, effectively doubling the Company's production capacity but consequently increasing working capital costs. Throughout this time the Company entered into several Research and Development agreements harnessing its intellectual property for BIO and pharmaceutical applications to broaden its commercial portfolio.

However, conflicts in the Middle East, Ukraine and the Red Sea significantly disrupted operations and presented substantial challenges to the Board's ability to manage the future. These conflicts particularly impacted trading capabilities, resulting in elevated logistical costs for raw materials imported from China along with cashflow risks. Added to this was the general economic turmoil in Europe leading to reduced overall demand.

As a result, the Company's revenues continued to fall short of hopes for a second year running thus depleting cash reserves. We have taken the view that these woeful trading conditions for Graft Polymer's Slovenian manufacturing facility will continue.

Pleasingly the Graft Bio division continues to see ongoing interest and the potential demand we are witnessing provides encouraging possibilities for the future. We anticipate that this may position the Company as a multi-sector specialist chemical firm offering expertise and R&D capabilities to develop high-end solutions for refiners, compounders and processors, rather than solely producing them in-house.

I say more about our pipeline of opportunities under 'Focus on the Graft Bio division' below.

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788

CHAIRMAN'S STATEMENT

15th March 2024 announcement; directorate change, loan facility and appointment of Allenby Capital as broker to the Company

I joined the board as Chairman on the above date replacing Roby Zomer and Alexander Brooks which was necessary to enable me and another individual to provide a £200,000 working capital loan facility. It's worth my copying a relevant paragraph from that announcement below:

Over recent months the Company has experienced very difficult trading conditions due to the conflicts in the Middle East, Ukraine and the Red Sea. As a consequence, the Company's cash position has become extremely constrained thus necessitating the need for the Company to enter into the Loan Facility. The Loan Facility will allow the Company to continue to trade and will permit the Company's audit for the year ended 31 December 2023 to be completed.

The Board's principal task is to take the Company through an equity fundraise in the near future for working capital purposes and the development of a modified business development strategy. This requires a Financial Conduct Authority approved prospectus to be published by the Company to enable new shares to be admitted to trading on the Main Market of the London Stock Exchange. Any issue of new shares will also require shareholder approval at a general meeting of the Company. Further announcements will be made as appropriate regarding this matter.

Write off of investment / intercompany loans with Graft Polymer d.o.o

Today's accounts reveal that the Company has impaired in full its investment and intercompany loan in / with its Slovenia subsidiary, Graft Polymer d.o.o., due to the slow pick up of revenue, ongoing constraints and reflecting a growing liability on the Group's cash flow. Accordingly, we plan to announce its disposal to a private consortium in Slovenia for nominal consideration.

Focus on the IP and Graft Bio division

The Directors believe that the Bio division represents significant value to investors based primarily on the revenue generating capabilities of the Group's intellectual property, intangible assets and sales contracts. As we can see on-going interest and demand as well as potential revenues. We believe this positions the Company as a multi-sector specialist chemical company offering the knowledge and R&D to develop high end solutions for the refiners, compounders and processors, rather than producing them in house. Our key advantage in Graft Bio is our knowledge and experience to create new innovative solutions for the industry.

Outlook on R&D and Supply agreements

On 6 July 2023, the company announced an R&D Supply Agreement with Gabriel Chemie, marking the initiation of collaborative efforts with our partners. Graft Bio since commenced work in conducting trials for various products. Encouragingly, some of these trials have yielded positive results, prompting us to transition towards industrial-scale production by our clients.

The Company entered an R&D Supply Agreement with Forpet Baltic, SIA, announced on 4 September 2023, has yet to initiate trials as well as entering similar agreements with Empreas Wilher Mexico, announced on 30 August 2023. The Company has been engaged in local activities and are in the process of providing new formulations for EWM to produce its samples to support additional projects.

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CHAIRMAN'S STATEMENT

The Company's agreement with the Slovenian Faculty of Polymer Technology, announced on 11 September 2023, is designated as a development project. It is expected to take approximately two years before yielding measurable results.

The agreement with the European consortium of the University of Belgrade announced on 9 October 2023, is also categorised as a development project. While progress is underway, it is anticipated to take around two years to yield results.

Summary

Following an extraordinarily difficult two years for the Group, resulting in a huge depletion of funds on account and severe constraints on the Group's ability to continue trading, I joined the Board to oversee a strategic change and progress a short term fundraise.

Despite the upcoming period presenting challenges for the Group the Board are confident that with the correct management approach we can safely navigate back to prosperity and I look forward to keeping shareholders informed as developments unfold.



Nicholas Nelson

Non-Executive Chairman

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
BOARD AND SENIOR MANAGEMENT

BOARD OF DIRECTORS**Nicholas Nelson – Non-executive Chairman (Appointed – 15 March 2024)**

Nicholas entered the City in 1985 as an apprentice market-maker and moved from there into stockbroking in 1986. What followed was a 13 year career in investment management and small-cap company research. In 1998, he moved into the Financial PR industry for a further 13 years advising smaller quoted companies on their corporate communications strategies. This included advising on 100 plus IPOs. His objective: to develop recognition for his clients as great investment opportunities. Overlapping the above, from 2002, Nicholas has taken his skills in-house by joining the boards of, so far, 8 AIM and AQSE companies during their transitional or flotation phase.

Victor Bolduev – Chief Executive Officer and Chief Technical Officer (CEO and 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.

Victor is a non-executive director for a number of companies, including Victor Bolduev IP and Polymer Innovations Inc. He is the author of 11 patents relating to polymer modification and drug delivery systems.

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

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

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

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

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

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

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BOARD AND SENIOR MANAGEMENT

Roby Zomer – Non-executive Chair (Resigned – 15 March 2024)

Roby Zomer was, until recently, the Non-Executive Chair of the Company, having been involved in the Company'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.

Alexander (Alex) Brooks – Independent Non-Executive Director (Resigned 15 March 2024)

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

SENIOR MANAGEMENT

Anthony Eastman – Company Secretary

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

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788

DIRECTORS' REPORT

The Directors present their report with the audited financial statements of Graft Polymer (UK) plc ("the Company") and its subsidiaries together "the Group" for the year ended 31 December 2023. A commentary on the business for the period is included in the Chairman's Statement. A review of the business is also included in the Strategic Report.

Directors

The Directors of the Company during the period and their beneficial interest in the Ordinary shares of the Company as at 31 December 2023 were as follows:

Director	Position	Appointed	Ordinary shares	Options
Roby Zomer ¹	Non-Executive Chair	18-May-17	5,451,337	1,700,000
Victor Bolduev	CEO / CTO	18-Sep-17	33330,454,613	2,200,000
Pavel Kobzev	CMO & Executive Director	25-May-19	1,356,886	1,600,000
Yifat Steuer	CFO & Executive Director	21-Dec-21	189,761	1,500,000
Alex Brooks	Non-Executive Director	21-Dec-21	475,004	1,000,000

¹ 4,576,163 Ordinary shares held by Roby Zomer were held by Chitta Lu Limited and 875,174 were held by Sputnik Enterprises Limited, entities in which Roby Zomer has a beneficial interest in.

Substantial shareholders

As at 31 December 2023, the total number of issued Ordinary Shares with voting rights in the Company was 104,097,299 and 124,763,966 as at the date of this report, being 30 April 2024. Details of the Company's capital structure and voting rights are set out in note 20 to the financial statements.

The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at the date of approval of this report, noting total shares on issue as at the date of approval of this report being 30 April 2024:

Party Name	Number of Ordinary Shares	% of Share Capital
Victor Bolduev	30,454,612	24.41
Alba Capital Limited	13,935,020	11.17
Brett Mitchell	7,869,217	6.31
Roby Zomer	5,451,337	4.37

Financial instruments

Details of the use of the Company's financial risk management objectives and policies as well as exposure to financial risk are contained in the Accounting policies and note 22 of the financial statements.

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DIRECTORS' REPORT

Greenhouse Gas (GHG) Emissions

In the year ended December 2023 the Slovenian subsidiary consumed approximately 160,000 kwh of energy relating to production of polymer products.

The Directors consider energy consumption and by-product waste from production to be the most significant factors affecting the environment and consequently the related reporting requirements.

The Company is exempt from the Streamlined Energy & Carbon Reporting (SECR) requirements since energy consumption is less than 40,000 kWh of energy in the UK in the reporting year.

In addition to the above disclosures the Group plans to announce the disposal of the Slovenian entity due to the slow pick-up of revenue and ongoing constraints. As a result of this, the facility will no longer be owned by the Company and any carbon output from the Group will decrease dramatically. Further disclosures around environmental impact can be referenced in the Governance Report.

Dividends

The Directors do not propose a dividend in respect of the period ended 31 December 2023.

Diversity and inclusion disclosure

The Group is aware of its obligations in regards to diversity and inclusions targets listed below and has disclosed whether they have each target:

- (i) at least 40% of the individuals on its board of directors are women; - **No**
- (ii) at least one of the following senior positions on its board of directors is held by a woman:
 - (A) the chair;
 - (B) the chief executive;
 - (C) the senior independent director; or
 - (D) the chief financial officer; and - **Yes**
- (iii) at least one individual on its board of directors is from a minority ethnic background - **No**

The Group is committed to implementing equal opportunity and inclusion practices within its operations. The Group employs Yifat Steuer as its Chief Financial Officer and therefore meets the requirements for gender diversity in senior management positions. The Group's relatively small size makes it harder for it to meet diversity targets but will look to review annually and take all reasonable steps to meet the targets.

Corporate Governance

The Governance report forms part of the Director's Report and is disclosed on pages 19 to 24.

Going Concern

The Directors, having made due and careful enquiry, are of the opinion that the Company and the Group will have access to adequate working capital to execute its operations over the next 12 months.

The Directors have assessed the cash position of the Group as of the signing of this report and are aware that these alone are not sufficient to meet the expenditure requirements for the going concern period.

As alluded to in the Chairman's statement the Group will be looking to divest the Slovenian operations which currently are a significant cash drain on the business. The Group has also put in place a £200,000 loan facility with the intention that this will support the Group as they prepare a prospectus which will in turn facilitate a larger fundraise.

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DIRECTORS' REPORT

While the preparation of the prospectus is well progressed and the Directors are confident that there are no foreseeable hurdles to the submission of the prospectus the timing is not certain. In addition to this there is also uncertainty relating to the quantum of a future fundraise.

The Directors have prepared in depth cash flow forecasts that would suggest on the expected fundraise amount the Group would have significant headroom to support the going concern assumption however should the actual fundraise prove to be significantly lower than anticipated this could raise concerns about going concern. The events or conditions noted above indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that may be necessary if the Company was not a going concern, note that the auditors make reference to going concern by way of a material uncertainty over the ability of the company to fund the recurring and projected expenditure.

Principal Activities

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards for the group and as regards to the Parent Company Financial Statements, as applied in accordance with the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and the profit and loss of the group for that period.

In preparing the financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Ensure statements comply with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group enabling them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published on the Company's website www.graftpolymer.com. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of this website

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DIRECTORS' REPORT

and accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Disclosure and Transparency Rules

Details of the Company's share capital and warrants are given in Notes 20 and 21 respectively. There are no restrictions on transfer or limitations on the holding of the ordinary shares. None of the shares carry any special rights with regard to the control of the Company. There are no known arrangements under which the financial rights are held by a person other than the holder and no known agreements or restrictions on share transfers and voting rights. As far as the Company is aware there are no persons with significant direct or indirect holdings other than the Directors and other significant shareholders as shown on page 9. The provisions covering the appointment and replacement of directors are contained in the Company's articles, any changes to which require shareholder approval. There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control following a takeover bid and no agreements for compensation for loss of office or employment that become effective as a result of such a bid.

Requirements of the Listing Rules

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

Auditor Information

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

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

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's Auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Events after the reporting period

Other than those events disclosed in Note 28, there were no events subsequent to year end requiring disclosure.

Directors' Indemnity Provisions

The Company has implemented Directors and Officers Liability Indemnity insurance.

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Political Donations

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

This directors' report was approved by the Board of Directors on 30 April 2024 and is signed on its behalf by:



Nicholas Nelson

Non-Executive Chairman

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
STRATEGIC REPORT

The Directors present the Strategic Report of the Company and the Group for the period ended 31 December 2023.

Operational Review

In July 2023, the Company announced the commissioning of the production facility in Slovenia, effectively doubling the Company's production capacity and consequently increasing working capital costs. Throughout this time the Company entered into several Research and Development agreements harnessing its intellectual property for BIO polymer and pharmaceutical applications to broaden its commercial portfolio. However, conflicts in the Middle East, Ukraine and the Red Sea significantly disrupted operations and presented substantial challenges to the Board's ability to manage the future outlook for the Company. These conflicts particularly impacted trading capabilities, resulting in elevated logistical costs for raw materials imported from China along with cashflow risks. Added to this was the general economic turmoil in Europe leading to reduced overall demand. As a result, the revenue generated has been less than forecast over the past two years, and the Company's cash balance has been depleted.

Accordingly, we plan to announce the disposal of the Slovenian entity to a private consortium in Slovenia for nominal consideration.

The Group generated revenue of £587,000 (2022: £542,000) and incurred a loss after tax of £3,120,000 (2022: £2,705,000).

Key highlights of the Group are below:

- Cash and cash equivalents at year end were £0.155 million
- Loss before taxation for the year was £3.120 million
- Net cash outflow for the year was £1.486 million
- The Group held net assets at year end of £2.026 million

On the Graft Bio division, we can see on going interest and demand as well as potential revenues. We believe this positions the Company as a multi-sector specialist chemical company offering the knowledge and R&D to develop high end solutions for the refiners, compounders and processors, rather than producing them in house. Our key advantage in Graft Bio is our knowledge and experience to create new innovative solutions for the industry.

The Group's Bio Polymer division is focused on the following areas:

- Commercialisation of intellectual property developed in its drug delivery system, for which it will receive royalty payments.
- Maintaining the registration of its intellectual property rights including patents.
- The Company will be able to produce bio polymer related commercial agreements through various 3rd party commercial manufacturing sites, as well receiving royalty payments.
- 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.

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788

STRATEGIC REPORT

The bio polymer activity has been focused since IPO Admission, on the development of intellectual property for a DDS to support and provide solutions to the market that had been heavily impacted by the COVID-19 pandemic, accelerating growth in the infectious diseases segment of the industry.

Capital raise

During the year under review, on December 2023, the Company announced that it had conditionally placed 20,666,667 new ordinary shares of 0.1 pence each in the capital of the Company with a new cornerstone investor at a price of 0.6 pence per Placing Share, with said shares being issued subsequent to year end.

In addition, one warrant was issued by the Company for every two Placing Shares allotted, being in aggregate warrants over 10,333,333 Ordinary Shares, exercisable at 1 penny per Ordinary Share for a period of two years.

The net proceeds of the Fundraising will be used to fund the Company's general working capital requirements. The transaction was completed on 8 January 2024.

Future developments

Future developments relating to the Group can be referenced in the Chairman's Statement.

Principal Risks and Uncertainties

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

The Group is currently loss making, recording a financial loss of £3,120,000 for the year ended 31 December 2023

To date, the Company has been loss making and in the financial year ended 31 December 2023, the Group sustained losses in the amount of £3,120,000 (2022: £2,705,000). The Board has adopted measures to minimise costs and overheads to ensure that the Group remains solvent and the Group is now focused on nurturing and growing its Bio Division, as part of a strategic review undertaken by the Board. The decision by the Board to undertake the disposal was to ensure the ongoing financial viability of the Group due to a forecasted negative cash position in the near future, leading to an increase in liability rather than a profit centre in the Slovenian entity. If the Company's core business is unsuccessful, and the Company may be unable to generate revenue from alternative sources, then the Company is likely to remain loss making. This would have a material adverse impact on the financial condition of the Group. Investors should be aware that it is probably that the Company will remain loss making for the immediate future.

Protection of intellectual property rights

The Group relies substantially on proprietary technology, patent rights, confidential information, trade secrets, know-how and laboratory research data to conduct its business and to attract and retain customers and licensees. The success of the Group's business depends on its ability to protect its know-how and its intellectual property portfolio, and maintain and obtain patents without infringing the proprietary rights of others. If the Group does not effectively protect its know-how and intellectual property, its business and operating results could be materially harmed.

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

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STRATEGIC REPORT

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.

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

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

The requirements of s172 are for the Directors to:

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

The Group, which has developed a proprietary set of polymer modification technologies designed to improve existing products and processing methodologies by enhancing performance, has introduced more than 50 products to the market. The Group is continuing to explore new and exciting areas including biological polymers that could add great value to the Group.

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

Significant events / decisions	Key s172 matter(s) affected
Resignation of Non-Executive Chairman – Roby Zomer	Corporate Governance
Appointment of Non-Executive Chairman – Nicholas Nelson	Corporate Governance
Implementation of short term working capital loan	Short term working capital position
Full impairment of the Slovenian facility	Future operations and business strategy

Consider the likely consequences of any decision in the long term

The Board takes due care in the decision making process regardless of what business unit it may relate to. When assessing the likely consequences of a decision the Directors weigh up both the costs and benefits of any decision as well as the potential impact in the different time horizons with the ultimate goal of maximising shareholder value in the long run.

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STRATEGIC REPORT

Act fairly as between members of the Company

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

Maintain a reputation for high standards of business conduct

The Corporate Governance section of this Annual Report at page 18 sets out the Board and Committee structures and Board and Committee meetings held during the year, together with the experience of executive management and the Board and the Company's policies and procedures.

Consider the interest of the Company's employees

The Board strives to create an enjoyable and rewarding environment for all employees. The Board aims to create a workplace where employees can be proactive and look to add value to the Company by going over and above their specific roles. Ideally creating a bond between employees and the Company that leads to loyalty and productivity for all stakeholders.

Foster the Company's relationship with suppliers, customers and others

The Board acts in good faith with all suppliers and customers with the aim of developing strong working relationships that will be beneficial to all parties. The strategy involves regular communication with business partners that will hopefully lead to strong working relationships and recurring business.

Consider the impact of the Company's operations on the community and the environment

The Company has increased production in the last calendar year and the Directors are aware of the need to include environmental impact in their considerations. The Directors intend to keep a close eye on the environmental impacts of increasing production in the coming period and will look to minimise any impacts where they can as it will be mutually beneficial to the Group and the environment. Increasing energy efficiency across the Group will be at the forefront of these considerations.

Corporate social responsibility

We aim to conduct our business with honesty, integrity and openness, respecting human rights and the interests of our shareholders and employees. We aim to provide timely, regular and reliable information on the business to all our shareholders and conduct our operations to the highest standards.

Approved by the Board of Directors on 30 April 2024 and is signed on its behalf by:



Nicholas Nelson

Non-Executive Chairman

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788

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Compliance with the QCA Code

As a Group listed on the standard segment of the official list, the Group is not required to comply with the provisions of the UK Corporate Governance Code. Nevertheless, the Directors are committed to ensuring that appropriate standards of corporate governance are maintained, so far as is appropriate given the Group's current stage of development, the size and composition of the board of directors and available resources. The Board will aim to comply with the QCA Guidelines on Corporate Governance ("QCA Guidelines"). The Board has reviewed the recent changes to the code and has assessed their potential impact on the management of the Group.

The QCA Code has ten principles of corporate governance that the Group applies to establish the governance foundations of the business. These principles are:

1. Establish a purpose, strategy and business model which promotes long term value for shareholders;
2. Promote a corporate culture that is based on ethical values and behaviours;
3. Seek to understand and meet shareholder needs and expectations;
4. Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long term success;
5. Embed effective risk management, considering both internal controls and assurance activities, considering both opportunities and threats, throughout the organisation;
6. Establish and maintain the board as a well-functioning balanced team led by the Chair;
7. Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities;
8. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement;
9. Establish a remuneration policy which is supportive of long-term value creation and the Company's purpose strategy and culture
10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders.

Here follows a short explanation of how the Group applies each of the principles, including where applicable an explanation of why there is a deviation from those principles.

Principle One

Business Model and Strategy

The Group is transitioning away from the pursuit of production of proprietary technology with the disposal of the Slovenian subsidiary. The Directors have assessed the performance of the Group over the recent year and decided on a strategic pivot to harness the value within the IP and Bio division. The Directors are confident that this model will be the most beneficial in terms of delivering value back to the various stakeholders.

Principle Two

Corporate Culture

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Group as a whole which in turn will impact the Group's performance. The Directors are very aware that the tone and culture set by the Board will greatly impact all aspects of the Group and the way that

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consultants or other representatives behave. The corporate governance arrangements that the Board has adopted are designed to instil a firm ethical code to be followed by Directors, consultants and representatives alike throughout the entire organisation. The Group strives to achieve and maintain an open and respectful dialogue with representatives, regulators, suppliers and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through everything that the Group does. The Directors are focused on ensuring that the Group maintains an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Group has adopted, a code for Directors' dealings in securities which is appropriate for a company whose securities are traded on this main market and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. Issues of bribery and corruption are taken seriously. The Group has a zero-tolerance approach to bribery and corruption and has recently put an anti-bribery and corruption policy in place to protect the Group, its employees and those third parties to which the business engages with.

Principle Three

Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. They will be encouraged to attend the AGM and website and investor relations communications will be improved in the coming year.

Principle Four

Considering wider stakeholder and social responsibilities

The Board recognises that the long-term success of the Group is reliant upon open communication with its internal and external stakeholders: investee companies, shareholders, contractors, suppliers, regulators and other stakeholders. The Group has created close ongoing relationships with a broad range of its stakeholders and will ensure that it provides them with regular opportunities to raise issues and provide feedback to the Group. The Group is committed to delivering lasting benefit to the local communities and environments where we work as well as to our shareholders, employees and contractors. As the Group evolves we anticipate that this aspect of community engagement will evolve further.

Principle Five

Risk Management

The Board is responsible for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Group. The Board has established a framework of internal financial controls to address financial risk and regularly reviews the non-financial risks to ensure all exposures are adequately managed. The Group maintains appropriate insurance cover in respect of legal actions against the Directors as well as against material loss or claims against the Group. The principal risks and uncertainties are as set out in the Strategic Report.

Principle Six

A Well Functioning Board of Directors

The Board will maintain a balance of executives and non-executive directors. Currently there are 3 executives and 1 non-executive. There are no mandatory hours for directors to be available but all directors are available for any Group business when it may arise.

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Further information about the directors can be found in the Board and Senior Management report on page 7 as well as the company website at www.graftpolymer.com. The Directors met 6 times throughout the year to discuss key issues and to monitor the overall performance of the Company. All Directors attended all meetings during the year.

Principle Seven

Appropriate governance structures

The Group's governance structures are appropriate for a company of its size. The Board also meets regularly and the Directors continuously maintain an informal dialogue between themselves. The Chairman is responsible for the effectiveness of the Board as well as primary contact with shareholders, while the execution of the Group's investment strategy is a matter reserved for the Chief Executive. The current Governance structure is outlined below:

Audit and Risk Committee

During the year the Companies audit committee comprised two members, being, Roby Zomer and Alex Brooks which will have primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Group's accounting and internal controls.

The committee is also responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Enlarged Group is properly monitored and reported. The audit committee will meet not less than two times a year. On 8 January 2024 both members of the Audit Committee resigned as Directors. Due to the size and slowdown in operations the Board will consider any audit matters as a whole.

Remuneration Committee

During the year the Companies remuneration committee comprised two directors, Roby Zomer and Alex Brooks who are 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. On 8 January 2024 both members of the Remuneration Committee resigned as Directors. Due to the size and slowdown in operations the Board will consider any items in relation to remuneration as a whole.

Nominations Committee

No nominations committee has been established will all matters to be considered by the Board as a whole.

Principle Eight

Evaluation of Board Performance

Internal evaluation of the Board, the Committees and individual Directors will be undertaken on an annual basis in the form of peer appraisal and discussions to determine the effectiveness and performance against targets and objectives. Due to the unusual nature of operations this year a formal review process has not been performed as other matters have taken priority.

Principle Nine

Remuneration policies

The Board is committed to ensuring that the creation of value for shareholders aligns with the interests of executives and employees of the Group.

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Principle Ten

Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders in compliance with regulations applicable to companies quoted on the LSE's Standard List. All shareholders are encouraged to attend the Company's Annual General Meeting where they will be given the opportunity to interact with the Directors. Investors also have access to current information on the Group through its website, (www.graftpolymer.com).

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

Climate change risk – (TCFD)

The Board considers the impact that the Group has on the environment and aims to conduct its operations in a responsible and sustainable way as it relates to climate change. The Group is aware that it impacts the environment in regards to energy consumption as well as emissions. The Slovenia subsidiary which is the main source of energy consumption and therefore environmental impact will be disposed of by the Group and hence significantly reduce the footprint of the Group.

In line with the requirements of the Financial Conduct Authority's Listing Rule 14.3.27R, and for the above reasons, we note that we have not made the disclosures as the in respect of the financial year ended 31 December 2023, in line with the recommendations and recommended disclosures of the TCFD.

External Auditor

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

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

Internal financial control

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

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Key financial controls include:

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

Shareholder Communications

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

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

On behalf of the board

Approved on behalf of the Board of Directors by:



Nicholas Nelson

Non-Executive Chairman

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788

REMUNERATION REPORT

From admission to the LSE the Company implemented a remuneration committee that meets when necessary but at least twice a year. During the year the Remuneration Committee comprised Roby Zomer and Independent Non-Executive Director Alex Brooks. 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. On 8 January 2024 both members of the Remuneration Committee resigned as Directors. Due to the size and slowdown in operations the Board will consider any items in relation to remuneration as a whole.

Remuneration Policy

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

Directors' emoluments and compensation (audited)

Particulars of directors' remuneration, including directors' shares which, under the Companies Act 2006 are required to be audited, are given in Notes 5 and 7 and further referenced in the Directors' report.

Remuneration paid to the Directors' during the year ended 31 December 2023 was:

Director	Base salary £'000	Pension £'000	Service fees £'000	Options* £'000	Total £'000
Roby Zomer	28	-	81	57	166
Victor Bolduev	48	-	103	74	224
Pavel Kobzev	48	-	49	54	150
Alex Brooks	25	-	-	33	58
Yifat Steuer	103	1	-	50	154
	252	1	233	268	754

**Monetary value of options at issue date charged during the current year – Note 21 (non cash remuneration)*

Remuneration paid to the Directors' during the year ended 31 December 2022 was:

Director	Base salary £'000	Bonus £'000	Pension £'000	Service fees £'000	Options £'000	Total £'000
Roby Zomer	41	1	-	-	110	152
Victor Bolduev	52	85	-	143	143	423
Pavel Kobzev	51	1	-	77	104	233
Alex Brooks	33	3	-	-	65	101
Yifat Steuer	142	13	1	-	97	253
	319	103	1	220	519	1,162

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REMUNERATION REPORT

Pension contributions

The Company currently only pays a pension for Yifat Steuer as per the table above.

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

Payments to past directors

There were no payments to past directors in the period.

Payments for loss of office

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

UK 10-year performance graph

The Directors have considered the requirement for a UK 10-year performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful as the Company has incurred losses in 2023 and has not been able to establish a consistent period of trading due to a range of factors. In addition, and as mentioned above, the remuneration of Directors was not linked to performance, and we therefore do not consider the inclusion of this graph to be useful to shareholders at the current time. The Directors will review the inclusion of this table for future reports.

UK 10-year CEO table and UK percentage change table

The Directors have considered the requirement for a UK 10-year CEO table. The Directors do not currently consider that including these tables would be meaningful and that the remuneration of the CEO and Directors is reflected accurately above. The Directors will review the inclusion of this table for future reports.

Percentage change in remuneration of director undertaking the role of chief executive officer

The percentage change in total remuneration of Chief Executive Officer Victor Bolduev is a reduction of 53%. This figure is not necessarily representative of regular fluctuations in CEO salary as the comparative year was the first year of trading and included irregular compensation relating to listing bonus.

Relative importance of spend on pay

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

Approved on behalf of the Board of Directors by:



Nicholas Nelson

Non-Executive Chairman

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAFT POLYMER (UK) PLC

Opinion

We have audited the financial statements of Graft Polymer (UK) Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cashflows, the Consolidated and Company Statements of Changes in Equity, and Notes to the Consolidated Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.2 to the financial statements, which indicates that further funding will be required within the 12 months following the date of approval of the financial statements in order to meet working capital needs. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and reviewing management's cash flow forecasts up to the period December 2026 and challenging management on the key assumptions and inputs based on 2023 actual results;

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- Evaluating management's sensitivity analysis and performing our own sensitivity analysis in respect of the key assumptions and inputs underpinning the forecasts; and
- Ensuring disclosures in relation to going concern in the financial statements are appropriate.

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

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the group financial statements was set at £94,000 (2022: £134,000), with performance materiality set at £65,000 (2022: £93,000).

Group materiality has been calculated as 5% of loss for the year, adjusted for one-off costs relating to impairment charges (2022: 7.5% of loss for the period). We have determined, in our professional judgement, adjusted loss for the year to be the principal benchmark within the financial statements relevant to members of the parent company in assessing financial performance. A benchmark of 70% was applied to calculate the group performance materiality as we believed this would give sufficient coverage of significant and residual risks within the group financial statements.

The materiality applied to the parent company financial statements was £70,000 (2022: £107,000). The parent company performance materiality was £49,000 (2022: £74,000). For each component in scope of our group audit, we allocated a materiality that was less than our group materiality. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4,000 (2022: £6,000) at the group level, as well as any other misstatements below that threshold that we believe warranted reporting on qualitative grounds.

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

Our approach to the audit

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest

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effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
<p>Carrying value of Intangible Assets (refer to note 11)</p> <p>The consolidated statement of financial position as at 31 December 2023 include intangible assets with a carrying value of £2.068m in respect of capitalised cost relating to “process technology and know-how” under IAS 38 Intangible Assets. An impairment review was undertaken based on the impairment indicators noted by the management.</p> <p>Intangible assets with indefinite useful lives are tested annually for impairment and whenever there is an indication of impairment. An impairment review requires management’s significant estimation and judgement in determining the future cash flows.</p> <p>For this reason, as well as the material account balance, we have assessed this to be a key audit matter and a significant risk in relation to the valuation of the asset.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> • Obtaining and documenting an understanding of the procedures in place over the impairment assessment of intangible assets. • Ensuring intangible asset recognition meets the criteria in IAS 38 and its valuation is in accordance with the standard; • Obtaining and reviewing the impairment assessment prepared by management; • Discussions with management over future plans of the use of ‘know-how’; • Challenging the assumptions used in the cashflow forecast model by corroborating with supporting explanation and evidence; and • Assessing the adequacy of the financial statement disclosures, including the accounting policies. <p>Based on the discussions with management and review of the impairment assessment performed by management, it was noted that the group expects to recover the carrying value of Intangible asset through royalty revenue generated from licensing its intellectual property to other companies. From the work performed on the forecast and discussions with management, we haven’t noted anything that would indicate that the asset should be impaired at the year end.</p>
<p>Carrying value of investments and intragroup balances (parent company)</p> <p>(refer to notes 15 and 27)</p> <p>Investments in subsidiary and intra group loans were significant assets in the parent company's financial statements. The parent company had outstanding receivables of £2.044m due from</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> • Confirming ownership of investments. • Obtaining and review management’s calculation of expected credit losses in accordance with IFRS 9;

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<p>its 100% owned subsidiary, and the investments in subsidiary are carried at £1.304m which were fully impaired to nil based on the impairment indicators noted by the management.</p> <p>We consider this to be a key audit matter given the significant judgements are required in the impairment assessment carried out by management.</p>	<ul style="list-style-type: none"> • Considerations of recoverability of investments and intragroup loans by reference to underlying net asset values and future profitability; • Reviewing management's impairment, ensuring these are in line the requirements of IAS 36 and challenging the assumptions within; and • Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate. <p>Based on the discussions with management, it was noted that the disposal of Slovenian subsidiary is planned after signing of annual report at a token consideration of €1. Management performed an impairment assessment, and this was noted as an impairment indicator under IAS 36 and as such it was agreed with the management that year value of Investment and Intragroup loan should be fully impaired.</p>
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Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and industry research.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006, the Disclosure Guidance and Transparency Rules, the Listing Rules, Bribery Act 2010, anti money laundering regulations, and local laws and regulations in Slovenia.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - Making enquiries of management;
 - Reviewing board meeting minutes;
 - Reviewing Regulatory News Service publications; and
 - Reviewing legal expenses incurred during the year.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the potential for management bias was identified in relation to the impairment of intangible assets, carrying value of investments and intragroup balances (parent company) and share based payments. We addressed this by challenging the key assumptions and judgements made by management when auditing those significant accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Other matters which we are required to address

We were appointed by Board of Directors on 27 July 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods. Our total uninterrupted period of engagement is three years, covering from the period ending 31 December 2021 to 31 December 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and parent company in conducting our audit.

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRAFT POLYMER (UK) PLC

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

Use of our report

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

Daniel Hutson (Senior Statutory Auditor) 15 Westferry Circus

For and on behalf of PKF Littlejohn LLP Canary Wharf

Statutory Auditor London E14 4HD

30 April 2024

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

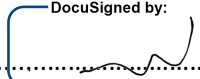
		Year ended 31 Dec 2023	Year ended 31 Dec 2022
	Note	£'000	£'000
Continuing operations			
Revenue	4	587	542
Cost of sales		(329)	(242)
Gross profit		258	300
Other revenue		-	17
Operational costs	5	(213)	(238)
Depreciation and amortisation	5	(179)	(113)
Administrative expenses	5	(2,145)	(2,667)
Impairment	13 & 14	(838)	-
Operating loss		(3,117)	(2,701)
Finance costs	8	(3)	(4)
Loss before taxation		(3,120)	(2,705)
Income tax	9	-	-
Loss for the year from continuing operations		(3,120)	(2,705)
Other comprehensive income – foreign currency translation		48	(4)
Total comprehensive loss for the year attributable to equity holders of the parent		(3,072)	(2,709)
Earnings per share (basic and diluted) - pence	10	(3.00)	(2.61)

The accompanying notes form an integral part of the consolidated financial statements

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	As at 31 Dec 2023 £'000	As at 31 Dec 2022 £'000
Non-current assets			
Property, plant and equipment	13	-	674
Right of use assets	12	39	27
Intangible assets	11	2,068	2,068
Other non-current assets		13	13
Total non-current assets		2,120	2,782
Current assets			
Cash and cash equivalents	17	155	1,640
Trade and other receivables	16	108	330
Inventory	14	51	187
Total current assets		314	2,157
TOTAL ASSETS		2,434	4,939
Non-Current liabilities			
Lease liability	12	22	18
Total non-current liabilities		22	18
Current liabilities			
Trade and other payables	18	249	322
Deferred income		93	41
Provisions	19	32	-
Lease liability	12	12	4
Total current liabilities		386	367
Total liabilities		408	385
NET ASSETS		2,026	4,554
Equity			
Issued share capital	20	41	41
Share premium	20	7,001	7001
Share capital to issue	20	175	-
Capital reduction reserve		2,500	2,500
Foreign exchange reserve		47	(1)
Share based payments reserve	21	1,227	858
Retained earnings		(8,965)	(5,845)
TOTAL EQUITY		2,026	4,554

The financial statements were approved by the board on 30 April 2024:

DocuSigned by:

 Chief Financial Officer - Yifat Steuer
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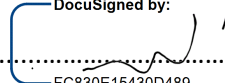
The accompanying notes form an integral part of the consolidated financial statements

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	As at 31 Dec 2023 £'000	As at 31 Dec 2022 £'000
Non-current assets			
Intangible assets	11	2,068	2,068
Investments	15	-	1,304
Intercompany receivable	27	-	1,714
Total non-current assets		2,068	5,086
Current assets			
Cash and cash equivalents	17	12	1,548
Trade and other receivables	16	31	45
Total current assets		43	1,593
TOTAL ASSETS		2,111	6,679
Non-Current liabilities			
Intercompany payable		-	29
Total non-current liabilities		-	29
Current liabilities			
Provisions	19	33	-
Trade and other payables	18	117	148
Total current liabilities		150	148
Total liabilities		150	177
NET ASSETS		1,961	6,502
Equity			
Issued share capital	20	41	41
Share premium	20	7,001	7,001
Share capital to issue	20	175	-
Capital reduction reserve		2,500	2,500
Share based payments reserve	21	1,227	858
Retained earnings		(8,983)	(3,898)
TOTAL EQUITY		1,961	6,502

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The Company loss for the year was £5,085,548 (2022: loss of £2,377,737).

The financial statements were approved by the board on 30 April 2024:

DocuSigned by:

 Chief Financial Officer - Yifat Steuer

The accompanying notes form an integral part of the consolidated financial statements

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2023

	Share capital £'000	Shares to be issued £'000	Share premium £'000	Capital reduction reserve £'000	Share based payment reserve £'000	Foreign exchange Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2021	7	500	942	2,500	-	3	(3,140)	812
Loss for period	-	-	-	-	-	-	(2,705)	(2,705)
Other comprehensive income	-	-	-	-	-	(4)	-	(4)
Total comprehensive income for year	-	-	-	-	-	(4)	(2,705)	(2,709)
Transactions with owners in own capacity								
Ordinary Shares issued in the period	34	(500)	6,399	-	-	-	-	5,933
Advisor warrants issued	-	-	-	-	143	-	-	143
Employee options issued	-	-	-	-	715	-	-	715
Share Issue Costs	-	-	(340)	-	-	-	-	(340)
Transactions with owners in own capacity	34	(500)	6,059	-	858	-	-	6,451
Balance at 31 December 2022	41	-	7,001	2,500	858	(1)	(5,845)	4,554
Loss for period	-	-	-	-	-	-	(3,120)	(3,120)
Other comprehensive income	-	-	-	-	-	48	-	48
Total comprehensive income for year	-	-	-	-	-	48	(3,120)	3,072
Transactions with owners in own capacity								
Waiver of Director and advisor fees	-	175	-	-	-	-	-	175
Employee options	-	-	-	-	369	-	-	369
Transactions with owners in own capacity	-	175	-	-	369	-	-	544
Balance at 31 December 2023	41	175	7,001	2,500	1,227	47	(8,965)	2,026

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2023

	Share capital £'000	Shares to be issued £'000	Share premium £'000	Capital reduction reserve £'000	Share based payment reserve £'000	Foreign exchange Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2021	7	500	942	2,500	-	(3)	(1,520)	2,426
Loss for period	-	-	-	-	-	-	(2,378)	(2,378)
Other comprehensive income	-	-	-	-	-	3	-	3
Total comprehensive income for year	-	-	-	-	-	3	(2,378)	(2,375)
Transactions with owners in own capacity								
Ordinary Shares issued in the period	34	(500)	6,399	-	-	-	-	5,933
Advisor warrants issued	-	-	-	-	143	-	-	143
Employee options issued	-	-	-	-	715	-	-	715
Share Issue Costs	-	-	(340)	-	-	-	-	(340)
Transactions with owners in own capacity	34	(500)	6,059	-	858	-	-	6,451
Balance at 31 December 2022	41	-	7,001	2,500	858	-	(3,898)	6,502
Loss for period	-	-	-	-	-	-	(5,085)	(5,085)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for year	-	-	-	-	-	-	(5,085)	(5,085)
Transactions with owners in own capacity								
Waiver of Director and advisor fees	-	175	-	-	-	-	-	175
Employee options	-	-	-	-	369	-	-	369
Transactions with owners in own capacity	-	175	-	-	369	-	-	544
Balance at 31 December 2023	41	175	7,001	2,500	1,227	-	(8,983)	1,961

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
	Note		
Cash flow from operating activities			
Loss for the financial year		(3,120)	(2,705)
<i>Adjustments for:</i>			
Share based payments		369	858
Depreciation on fixed assets		165	108
Impairment of fixed assets		736	-
Impairment of inventory	14	117	-
Finance expenses		3	4
Amortization on right-of-use assets		12	5
Foreign exchange movements		67	10
<i>Changes in working capital:</i>			
Decrease in trade and other receivables		6	43
Increase / (decrease) in trade and other payables		393	(496)
(Increase) / decrease in inventory		14	(187)
Net cash outflow from operating activities		(1,238)	(2,360)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(216)	(718)
Repayments on right-of-use assets		(16)	-
Net cash flow from investing activities		(232)	(718)
Cash flows from financing activities			
Proceeds from issue of shares		-	4,475
Share Issue Costs		-	(340)
Net cash flow from financing activities		-	(4,135)
Net increase in cash and cash equivalents		(1,470)	1,057
Cash and cash equivalents at beginning of the period		1,640	598
Foreign exchange effect on cash balance		(15)	(15)
Cash and cash equivalents at end of the period	17	155	1,640

The accompanying notes form an integral part of the consolidated financial statements

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
COMPANY STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December 2023	Year ended 31 December 2022
	Note	£'000	£'000
Cash flow from operating activities			
Loss for the financial year		(5,085)	(2,378)
<i>Adjustments for:</i>			
Share based payments		369	858
Impairment charge on investment in subsidiaries		1,304	-
Impairment charge on intercompany receivable		2,044	-
Foreign exchange movements		68	16
<i>Changes in working capital:</i>			
Decrease in trade and other receivables		3	81
Increase / (decrease) in trade and other payables		159	(271)
Net cash outflow from operating activities		(1,138)	(1,694)
Cash flows from investing activities			
Loans to subsidiary		(398)	(1,432)
Net cash flow from investing activities		(398)	(1,432)
Cash flows from financing activities			
Proceeds from issue of shares		-	4,475
Share Issue Costs		-	(340)
Net cash flow from financing activities		-	4,135
Net increase in cash and cash equivalents		(1,536)	1,009
Cash and cash equivalents at beginning of the period		1,548	545
Foreign exchange effect on cash balance		-	(6)
Cash and cash equivalents at end of the period	17	12	1,548

The accompanying notes form an integral part of the consolidated financial statements

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 GENERAL INFORMATION

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

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

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

The consolidated financial statements (“financial statements”) were approved for issue by the Board of Directors on 30 April 2024.

2 ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

The functional currency of the operating subsidiary in Slovenia is the Euro (€) as this is the currency that mainly influences labour, material and other costs of providing services. The presentational currency of the Group is Pounds Sterling (£). Foreign operations are translated in accordance with the policies set out further below in the notes at note 2.4.

The Group presents its financial statements for the year ended 31 December 2023 and presents comparatives for the year ending 31 December 2022.

2.2 Going concern

The Directors, having made due and careful enquiry, are of the opinion that the Company and the Group will have access to adequate working capital to execute its operations over the next 12 months.

The Directors have assessed the cash position of the Group as of the signing of this report and are aware that these alone are not sufficient to meet the expenditure requirements for the going concern period.

To supplement this the Group has put in place a £200,000 loan facility with the intention that this will support the Group as they prepare a prospectus which will in turn facilitate a larger fundraise.

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023**

The Directors have prepared in depth cash flow forecasts that would suggest on the expected fundraise amount the Group would have significant headroom to support the going concern assumption however should the actual fundraise prove to be significantly lower than anticipated this could raise concerns about going concern. The events or conditions noted above indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments that may be necessary if the Company was not a going concern, note that the auditors make reference to going concern by way of a material uncertainty over the ability of the company to fund the recurring and projected expenditure.

2.3 Basis of consolidation

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

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

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

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

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

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

2.4 Foreign currency translation**i. Functional and presentation currency**

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements is presented in £ Sterling, which is the Company's presentation and functional currency. The individual financial statements of each of the Company's wholly owned

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023**

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.

2.5 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.

2.6 Impairment of non-financial assets

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

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

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

2.7 Inventory

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

2.8 Cash and cash equivalents

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

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2.9 Financial instruments

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

a) Classification

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

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

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

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

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

b) Recognition

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

c) Measurement

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

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

Debt instruments

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

d) Impairment

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

2.10 Leases

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

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023**

borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment

with similar terms, security and conditions. In all instances the leases were discounted using the incremental borrowing rate.

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

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

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

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

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

2.11 Equity

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

Share capital to be issued relates to salaries foregone by Directors and other consultants. Upon the issue publication of a prospectus shares will be issued to compensate the necessary parties and will be allocated amongst the share capital and share premium accounts.

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

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

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

The foreign exchange reserve policy is set out in note 2.4.

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

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

2.12 Share based payments

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

GRAFT POLYMER (UK) PLC – COMPANY NUMBER 10776788**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2023**

Carlo valuation model to derive a value for any share-based payments. These assumptions are described in more detail in note 22.

2.13 Earnings per share

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

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

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

2.14 Revenue

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

- Step 1: Identity the contract(s) with a customer;
- Step 2: Identity the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

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

2.15 Taxation

Tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or

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deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

2.16 Property, plant and equipment

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

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

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

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

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

2.17 Intangible assets

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

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

2.18 Investments in Subsidiaries

Investments in Group undertakings are stated at cost.

2.19 Provisions

Provisions represent liabilities of uncertain timing or amount that are recognized when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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2.20 Financial liabilities

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

2.21 Critical judgements and key sources of estimation uncertainty

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

Know-how as an intangible asset (note 11)

The estimates and assumptions in relation to the carrying value of the know-how intangible assets are considered to have the most significant effect on the carrying amounts of the financial statements.

Management have prepared a 5 year financial forecast ending at December 2028 which looks at the revenue generating ability of these intangible assets. They have confidence in various networks and contracts that the know-how will allow the Group to generate significant royalty and licensing revenue with relatively low associated costs. The Directors have a high level of confidence that these contracts will ultimately prove to be highly lucrative for the Group and support the current carrying value of the intangible assets.

As a result the intangible assets were assessed and concluded that no impairment charge was required.

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

As at 31 December 2022 the carrying value of the Company's investment in its subsidiary Graft Polymer d.o.o. was approximately £1,304,000. The Directors have performed an impairment assessment on the value of the subsidiary considering a number of factors and have determined that because of the uncertainty related to the future profitability of the subsidiary the value of the investment should be impaired to nil at 31 December 2023.

Post year end the Directors have considered factors in the subsidiary such as slow pick up of revenue, ongoing constraints and a net cash drain on the Group's cash flow and accordingly plan to announce that they will dispose of the subsidiary to a private consortium in Slovenia for nominal consideration.

Impairment of operating assets in Slovenian Subsidiary (Note 13 & 14)

On review of the Group's operating division in Slovenia and the uncertainty relating to trading going forward the Directors have taken the decision to impair the total values of fixed assets (£736,000) and any unrecoverable inventory (£117,000) at year end.

Share based payments (Note 21)

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

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related charge. In the period the Group did not perform any new valuations but released expenses to the statement of other comprehensive income from valuations in prior periods.

2.22 New standards and interpretations not yet adopted

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

Standard	Effective date	Overview
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2024 (early adoption permitted)	<p>The standard has been amended to clarify that the classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period.</p> <p>In order to conclude a liability is non-current, the right to defer settlement of a liability for at least 12 months after the reporting date must exist as at the end of the reporting period.</p> <p>The amendments also clarify that (for the purposes of classification as current or non-current), settlement is the transfer of cash, the entity's own equity instruments (except as described below), other assets or services.</p>
Amendments to IAS 1 Non-current Liabilities with Covenants	1 January 2024 (early adoption permitted)	<p>The standard confirms that only those covenants with which an entity must comply on or before the end of the reporting period affect the classification of a liability as current or non-current.</p>
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	1 January 2024 (early adoption permitted)	<p>The amendments address the accounting that should be applied by a seller-lessee in a sale and leaseback transaction when the leaseback contains variable lease payments, such as turnover rentals, that do not depend on an index or rate.</p> <p>Specifically, they confirm that the 'lease payments' or the 'revised lease payments' arising from the leaseback arrangement are measured in such a way that no gain or loss is recognised on the right of use retained by the seller-lessee.</p>
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements	1 January 2024 (early adoption permitted)	<p>The amendments require an entity to disclose information about its supplier finance arrangements to enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.</p>

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Amendments to IAS 21 – Lack of Exchangeability	1 January 2025 (early adoption permitted)	The amendments have been made to clarify: - when a currency is exchangeable into another currency; and - how a company estimates a spot rate when a currency lacks exchangeability.
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2.23 New standards and interpretations adopted

The effect of these amended Standards and Interpretations which are in issue have not had a material effect on the financial statements.

Standard	Overview
IFRS 17 Insurance Contracts	IFRS 17 will replace IFRS 4 Insurance Contracts, a temporary standard which permits a variety of accounting practices for insurance contracts.
Amendments to IFRS 17 – Initial Application of IFRS 17 & IFRS 9 <i>Comparative Information</i>	Many insurance entities will now be applying both IFRS 17 and IFRS 9 for the first time in annual reporting periods beginning on or after 1 January 2023.
Amendments to IAS 1 and IFRS Practice Statement 2 – Making Materiality Judgements <i>Disclosure of Accounting Policies</i>	The amendments to IAS 1 will require an entity to disclose material accounting policies. Accounting policy information is likely to be considered material if users need the disclosure to understand other material information in the accounts.
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors <i>Definition of Accounting Estimates</i>	The amendments introduce a definition for accounting estimates which is ‘monetary amounts in financial statements that are subject to measurement uncertainty’. Measurement uncertainty will arise when monetary amounts required to apply an accounting policy cannot be observed directly. In such cases, accounting estimates will need to be developed using judgements and assumptions.
Amendments to IAS 12 – Income Taxes <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	This amendment to IAS 12 Income Taxes introduces an exception to the “initial recognition exemption” when the transaction gives rise to equal taxable and deductible temporary differences.
Amendments to IAS 12 – Income Taxes <i>International Tax Reform – Pillar Two Model Rules</i>	This amendment to IAS 12 Income Taxes introduces disclosures to help investors better understand a company’s exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

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3. SEGMENT REPORTING

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

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

The Board considers that during the year ended 31 December 2023 the Group operated in two business segments being polymer development and production in Slovenia and corporate functions in the UK.

	United Kingdom	Slovenia	Total
	£'000	£'000	£'000
Revenue	-	587	587
Cost of sales	-	(329)	(329)
	-	258	258
Operational costs	-	(213)	(213)
Depreciation & amortisation	-	(179)	(179)
Administrative expenses	(1,736)	(409)	(2,145)
Impairment charge	-	(838)	(838)
Operating loss from continued operations per reportable segment	(1,736)	(1,381)	(3,117)
Finance costs	-	(3)	(3)
Loss for the year from continuing operations	(1,736)	(1,384)	(3,120)
Reportable segment assets	2,111	323	2,434
Reportable segment liabilities	(150)	(258)	(408)
Total	1,961	65	2,026

4. REVENUE

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Product Sales Revenue		
Slovenia	5	41
Europe	355	415
Rest of the world	66	-
	426	456

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Services Sales Revenue		
Slovenia	161	86
	161	86
Total Sales Revenue	587	542

5. OPERATING COSTS AND ADMINISTRATIVE EXPENDITURE

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Operating costs		
Depreciation	(179)	(113)
Operational costs	(213)	(238)
	(392)	(351)
Administrative costs		
Directors remuneration	(754)	(1,162)
Salary and wages	(276)	(111)
Professional and consulting fees	(389)	(703)
Travel expenses	(21)	(6)
Foreign exchange	(69)	(10)
Other expenses	(267)	(336)
Share based payments*	(369)	(339)
	(2,145)	(2,667)

**£268k of share based payments are shown in directors remuneration to reconcile to the remuneration report on page 23. Remaining amount relates to external consultants.*

6. AUDITORS REMUNERATION

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Fees payable to the Group's auditor for the audit of parent company and consolidated financial statements	(50)	(46)
	(50)	(46)

7. STAFF COSTS AND DIRECTORS' EMOLUMENTS

Directors' remuneration and staff costs are referenced below. Directors remuneration can also be

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reference in the remuneration report:

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Directors salaries	252	319
Directors bonus	-	103
Directors pension	1	1
Directors fees	233	220
Share based payments	268	519
Employee costs	204	111
	958	1,273

On average, excluding directors, the Group employed 3 technical staff members (31 December 2022: 6) and 4 administration staff members (31 December 2022: 3).

The highest paid director received remuneration of approximately £224,000 (31 December 2022: £454,000).

8. FINANCE COSTS

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
Finance charge on leased assets	(3)	(4)
Finance costs	(3)	(4)

9. TAXATION

No liability to income taxes arise in the period.

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

The differences are explained below:

	Year ended 31 Dec 2023 £'000	Year ended 31 Dec 2022 £'000
The charge for year is made up as follows:		
Corporation tax on the results for the year	-	-

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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	(3,120)	(2,705)
Tax credit at the weighted average of the standard rate of corporation tax in Slovenia of 19% and UK of 19% - being 19% (31 Dec 2022: 19%)	(592)	(514)
Non-deductible expenses	234	163
Current year losses for which no deferred tax asset is	(358)	(351)
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 approximately £6,127,000 (31 Dec 2022: £1,958k) and the carried forward deferred tax asset is estimated to amount to approximately £1,164,000.

No deferred tax assets in respect of tax losses have not been recognised in the accounts because there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

10. EARNINGS PER SHARE

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

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
Loss for the year/period from continuing operations – £'000	(3,120)	(2,705)
Weighted number of ordinary shares in issue	104,057,299	103,589,479
Basic earnings per share from continuing operations – pence	(3.00)	(2.61)

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.

11. INTANGIBLE ASSETS

Group and Company

	£'000
Cost and carrying value – 1 January 2022	2,068
Additions	-
Impairment	-
At 31 December 2022	2,068

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Additions	-
Impairment	-
At 31 December 2023	2,068

The additions in 2018 relates to the issue of 22,500,000 shares to founding director Victor Bolduev on the acquisition of his Know-how and patents that have been transferred to the Group. In line with International Accounting Standard 36 (IAS 36) the Directors have undertaken an assessment of these intangible assets to discern whether they are impaired.

The assessment encompasses various aspects such as preparing detailed cashflow forecasts that include revenue projections from agreements with entities like Argent BioPharma and potential royalties from products such as ArtemiC™ and CannEpil-IL™.

The Directors also considered that despite challenges like lower than forecasted revenue from its Slovenian subsidiary and competitive market pressures, several factors indicate the assets retain significant value. These include licensing agreements yielding royalties, such as with Argent BioPharma for drug delivery systems; research and supply partnerships; a major investment supporting commercial exploitation of existing patents; and continuity with key personnel like Victor Bolduev.

Although the Directors are confident in the future revenues to be derived from the know-how they do recognise the inherent risk in these forecasts. As a result of this they have applied a conservative discount rate of 18% to the forecasts giving them extra confidence over the future revenues

Ultimately whilst recent performance would suggest impairment indicators, management has concluded the intangible assets should not be impaired given the various factors mentioned above.

12. LEASES

Group

	31 Dec 2023 £'000	31 Dec 2022 £'000
<i>Right-of-use assets</i>		
Motor vehicles	39	27
	39	27
<i>Lease liabilities</i>		
Current	12	4
Non-current	22	18
	34	22

Right of use assets

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

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	31 Dec 2023 £'000	31 Dec 2022 £'000
<i>Motor vehicles</i>		
Opening balance	27	-
Additions	24	32
Amortisation	(12)	(5)
	39	27

Lease liabilities

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

	31 Dec 2023 £'000	31 Dec 2022 £'000
Opening balance	22	-
Additions	25	28
Finance charge	3	2
Repayments	(16)	(8)
	34	22

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements £'000	Plant & Equipment £'000	Total £'000
Cost			
At 1 January 2022	-	537	537
Additions	85	352	437
Exchange impact	4	48	52
At 31 December 2022	89	937	1,026
Additions	15	201	216
Disposals	-	(27)	(27)
Impairment	(107)	(1,117)	(1,224)
Exchange impact	3	6	9
At 31 December 2023	-	-	-
Depreciation			
At 1 January 2022	-	(227)	(227)
Charge for the period	(27)	(81)	(108)
Exchange impact	(2)	(15)	(17)

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At 31 December 2022	(29)	(323)	(352)
Charge for the year	(11)	(143)	(154)
Disposals	-	6	6
Impairment	40	463	503
Exchange impact	-	(3)	(3)
At 31 December 2023	-	-	-
Net book value at 31 December 2022	60	614	674
Net book value at 31 December 2023	-	-	-

14. INVENTORY

Group	31 Dec 2023 £'000	31 Dec 2022 £'000
Raw materials	51	123
Finished goods	-	64
	51	187

*An amount equal to approximately £117,000 was impaired in the period

15. INVESTMENTS

Company

	£'000
Cost and carrying value – 1 January 2022	1,304
Additions	-
Impairment	-
At 31 December 2022	1,304
Additions	-
Impairment	(1,304)
At 31 December 2023	-

**Immaterial investment in Graft Polymer IP Limited & GraftBio Limited of £1 each*

Investments in subsidiary relate to the investment in Graft Polymer D.o.o which is the wholly owned subsidiary operating out of Slovenia. At each period end, the Directors assess the investment for any indicators of impairment and have concluded that due to the recent performance of the subsidiary that it needs to be fully impaired and hence the entire value has been written off at period end.

Company subsidiary undertakings

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

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

16. TRADE AND OTHER RECEIVABLES

GROUP	31 Dec 2023 £'000	31 Dec 2022 £'000
Trade receivables	65	35
Other taxes and social security	16	55
Prepayments	21	232
Other receivables	6	8
	108	330

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

	31 Dec 2023 £'000	31 Dec 2022 £'000
UK Pounds	30	45
Euros	78	285
	108	330

COMPANY	31 Dec 2023 £'000	31 Dec 2022 £'000
Other taxes and social security	4	21
Prepayments	21	-
Other receivables	6	24
	31	45

As at 31 December 2023 all trade and other receivables were fully performing and hence no provision has been processed. Trade receivables have the following aging:

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	31 Dec 2023 £'000	31 Dec 2022 £'000
Current	65	39
1 – 3 months	-	-
3 – 6 months	-	-
> 6 months	-	6
	65	45

17. CASH AND CASH EQUIVALENTS

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

GROUP	31 Dec 2023 £'000	31 Dec 2022 £'000
Cash and cash equivalents	155	1,640
	155	1,640

COMPANY	31 Dec 2023 £'000	31 Dec 2022 £'000
Cash and cash equivalents	12	1,548
	12	1,548

18. TRADE AND OTHER PAYABLES

GROUP	31 Dec 2023 £'000	31 Dec 2022 £'000
Trade payables	159	185
Accruals	68	114
VAT payable	22	23
	249	322

COMPANY	31 Dec 2023 £'000	31 Dec 2022 £'000

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Trade payables	66	34
Accruals	51	114
	117	148

19. Provisions

GROUP	31 Dec 2023 £'000	31 Dec 2022 £'000
HMRC obligations	32	-
	32	-

In the month of the December, Directors and other senior management waived fees owed to them with the intention of having shares issued at a later date. Directors fees in their usual circumstance would attract tax and or national insurance contributions. The shares have not been issued as of period end so the Company has raised a provision to allow for potential obligations that may occur in the future. The issue of these shares is contingent on the preparation of a prospectus which at the publishing of this has not been completed.

20. SHARE CAPITAL

	31 Dec 2023 £'000	31 Dec 2022 £'000
Issued and fully paid ordinary shares with a nominal value of 0.1p (31 Dec 2022: 0.1p)		
Number of shares	104,097,299	104,097,299
Nominal value (£'000)	41	41

Change in issued Share Capital and Share Premium:

	Number of shares	Share capital £'000	Shares capital to issue £'000	Share premium £'000	Total £'000
Ordinary shares					
Balance at 1 January 2023	104,097,229	41	-	7,001	7,042
Waiver of fees ¹	-	-	175	-	-
Balance at 31 December 2023	104,097,229	41	175	7,001	7,042

¹In the month of the December, Directors and other senior management waived fees owed to them with the intention of having shares issued at a later date. The issue of the shares is contingent on the preparation of a prospectus to allow for sufficient headroom in line with the London Stock Exchange general rules.

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

21. SHARE BASED PAYMENTS RESERVE

	Company £'000	Group £'000
At 31 December 2021	-	-
Advisor warrants issued	143	143
Employee options issued ¹	715	715
At 31 December 2022	858	858
Employee options ¹	369	369
At 31 December 2023	1,227	1,227

¹On 6 January 2022, 11,173,611 employee options were granted to a number of employees within the Group. These options have different vesting conditions based on performance milestones. The charge that relates to the 2023 year has been brought to account above.

Warrants

As at 31 December 2023		
	Weighted average exercise price	Number of warrants
Brought forward at 1 January 2023	22p	2,031,008
Granted in period		-
Outstanding at 31 December 2023	22p	2,031,008
Exercisable at 31 December 2023	22p	2,031,008

The weighted average time to expiry of the warrants as at 31 December 2023 is 233 days.

Options

As at 31 December 2023		
	Weighted average exercise price	Number of options
Brought forward at 1 January 2023	-	11,000,000
Granted in period	-	-
Outstanding at 31 December 2023	0.1p	11,000,000
Exercisable at 31 December 2023	-	-

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The weighted average time to expiry of the warrants as at 31 December 2023 is 7 days.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

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

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

The Group is exposed to a number of risks through its normal operations, the most significant of which are interest, credit, foreign exchange, commodity and liquidity risks. Sensitivity analysis has not been performed because the potential impact is not considered material. The management of these risks is vested to the Board of Directors.

Credit Risk

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

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

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

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

	31 Dec 2023	31 Dec 2023	31 Dec 2022	31 Dec 2022
	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
	£'000	£'000	£'000	£'000
Cash and cash equivalents	155	155	1,640	1,640
Trade receivables	65	65	35	35
	220	220	1,675	1,675

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

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or purchases by operating companies in currencies other than the Companies' functional currency. Currency exposures are reviewed regularly.

The Group has a limited level of exposure to foreign exchange risk through their foreign currency denominated cash balances and a portion of the Group's costs being incurred in US Dollars and Euros. Accordingly, movements in the Sterling exchange rate against these currencies could have a detrimental effect on the Group's results and financial condition. Such changes are not considered likely to have a material effect on the Group's financial position at 31 December 2023. Funds of the parent company are held with HSBC which has the following credit ratings (Fitch: A+, Stable, Moody's A3, Stable, S&P A-, stable)

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

	31 Dec 2023 £'000	31 Dec 2022 £'000
<i>Cash and cash equivalents</i>		
Sterling	12	1,548
Euro	143	92
	<u>155</u>	<u>1,640</u>

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

	31 Dec 2023 £'000	31 Dec 2022 £'000
<i>Balance denominated in</i>		
Sterling	(27)	1,520
Euro	50	(60)
	<u>23</u>	<u>1,460</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:

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	31 Dec 2023 £'000	31 Dec 2022 £'000
Cash and cash equivalents	155	1,640
	<u>155</u>	<u>1,640</u>

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

	31 Dec 2023 £'000	31 Dec 2022 £'000
Due in less than one month	(34)	(56)
Due between one and three months	(93)	(129)
Due between three months and one year	(32)	-
	<u>(159)</u>	<u>(185)</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:

	31 Dec 2023 £'000	31 Dec 2022 £'000
Bank balances	155	1,640
	<u>155</u>	<u>1,640</u>

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

23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

GROUP	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
31 Dec 2023			
Financial assets / (liabilities)	£'000	£'000	£'000
Trade and other receivables ¹	81	-	81
Cash and cash equivalents	155	-	155
Trade and other payables ²	-	(159)	(159)
	<u>236</u>	<u>(159)</u>	<u>77</u>

¹ Trade and other receivables excludes prepayments

² Trade and other payables excludes accruals, taxes and social security

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

COMPANY	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
31 Dec 2023			
Financial assets / (liabilities)	£'000	£'000	£'000
Trade and other receivables ¹	4	-	4
Cash and cash equivalents	12	-	12
Trade and other payables ²	-	(66)	(66)
	16	(66)	(50)

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

24. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2023.

25. CONTINGENT LIABILITIES

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

Other than above, there were no further contingent liabilities at 31 December 2023.

26. COMMITMENTS UNDER OPERATING LEASES

There were no commitments under operating leases at 31 December 2023.

27. RELATED PARTY TRANSACTIONS

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

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

	Amounts owed by / (to) group companies			
	Opening Balance £'000	Movement in year £'000	Provisions in year £'000	Closing Balance £'000
Graft Polymer d.o.o. – 31 Dec 2022	302	1,412	-	1,714
Graft Polymer d.o.o. – 31 Dec 2023	1,714	330	(2,044)	-
Graft Polymer IP Limited – 31 Dec 2022	(29)	-	-	(29)
Graft Polymer IP Limited – 31 Dec 2023	(29)	29	-	-

At 31 December 2023 the Company did not have any amounts receivable from Graft Polymer d.o.o. (31 Dec 2022 approximately £1,714k).

Details of directors' emoluments are set out in the directors remuneration report.

Argent BioPharma Ltd

During the period the Group received €185,425 of revenue from Argent BioPharma Ltd (formerly MGC Pharmaceuticals Ltd). Roby Zomer was a director of Graft Polymer (UK) Plc before his resignation on 8 January 2024 and remains a Director of Argent BioPharma Ltd.

28. EVENTS SUBSEQUENT TO PERIOD END

Issue of equity

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On 5 January 2024 the Company issued 20,666,667 ordinary shares at a placing price of £0.006 to CMC Markets Plc in turn raising £124,000.

Directorate change

On 15 March 2024, Roby Zomer, the Non-Executive Chairman of the Company, and Alex Brooks a Non-Executive Director resigned from the Board. Nicholas Nelson was appointed as a director of the Company replacing Mr Zomer as Non-Executive Chairman of the Company with immediate effect.

Implementation of Loan facility

On 15 March 2024 provision of a £100,000 working capital loan facility to the Company by Nicholas Nelson and another private individual (the "Loan Facility"). The Loan Facility is intended to be drawn down in full against expenses incurred by the Company as they arise, and it attracts an interest rate of 10% per month. On 23 April 2024 the loan facility was increased by a further £100,000.

29. 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.