

Registered number: 11537452

CELLULAR GOODS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022

CELLULAR GOODS PLC

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CELLULAR GOODS PLC

COMPANY INFORMATION

Registered number	11537452
Registered office	9th Floor 16 Great Queen Street London WC2B 5DG
Directors	Darcy Taylor (Chairman) Bruna Nikolla Peter Wall Simon Walters Gill Whitty Collins Misha Sher
Company Secretary	Bruna Nikolla
Independent Auditor	PKF Littlejohn LLP (Statutory Auditor) 15 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Fladgate LLP 9th Floor 16 Great Queen Street London WC2B 5DG
Joint broker	Tennyson Securities 65 Petty France London SW1H 9EU
Joint Broker	Novum Securities Lansdowne House 57 Berkeley Square London W1J 6ER
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 AUGUST 2022

Introduction

Despite an encouraging start to the year ended 31 August 2022, several regulatory and operational headwinds contributed to a difficult full year for the Company. Our inaugural range of innovative 'Look Better' skincare and 'Feel Better' ingestible products went on sale in the UK on 1 December 2021, less than 12 months after Cellular Goods joined the London Stock Exchange as a start-up. It was a major milestone in our mission to establish the Company as a premium British brand in the cannabinoid wellness space.

Following the product launches, steady progress was made throughout the year to expand our skincare range, invest in our sales infrastructure and our customer relationship management capability to build a strong foundation for long-term growth. We also sharpened our focus with a major investment in a broad-scale marketing and brand building campaign. This initiative was supported by the publication of three white papers aimed at highlighting the benefits of cannabinoids and differentiating our products in a highly fragmented market that is characterised by a myriad of products and brands of variable quality and provenance.

While such investment is essential to fostering brand recognition and loyalty for long-term growth, it takes time for these types of marketing activities to translate into significant revenues and product sales within the premium beauty segment due to entrenched consumer habits.

In addition, the Company was adversely affected by a ruling from the Food Standards Agency ("FSA") in March this year concerning the sale of our CBD ingestibles, forcing us to withdraw from that market segment for the foreseeable future.

We were also hampered by CBD category marketing bans by global online platforms including Facebook/Meta and Google from promoting our skincare products directly to consumers, even though the products are formulated to be fully compliant for sale under English law. While the Company made changes to its media mix to work around these bans, and worked independently and with the industry players to educate the platforms on our category to lift these bans, sales growth was below our expectations. We are optimistic that Facebook/Meta and Google will eventually align with English law, though that timing is unknown. This has negatively impacted our direct-to-consumer channel customer acquisition, increased acquisition costs and reduced the ability to scale this traditionally high return-on-investment channel.

We believe that the operating environment for CBD and CBG-infused beauty products in the UK is also being impacted by a glut of niche brands and products from many companies with subscale operations and resources. This has prompted fierce competition for both online and offline retail space as well as for consumer 'mindshare', leading to cannabinoid confusion, fragmentation and fatigue, thereby slowing adoption of new products.

As a result of these factors, revenues grew at a slower pace than expected. Full-year revenue increased to £0.03m (2021: £nil) while the pre-tax loss rose to £5.99m, up from £3.33m in the previous year.

In the light of the prevailing headwinds, the Company has taken remedial measures to significantly reduce its cash burn and improve performance. These actions include a 56% reduction in the overall cost base, achieved through lower management and staff costs, consultancy fees and administrative expenses. Following a broad-scale marketing and brand building campaign during the second half, which has established Cellular Goods' name in the sector, the Company has now streamlined its media spend down from previous levels. Media however remains vital to our long-term prospects as it increases consumer awareness of our brand which rose from negligible levels to parity with, or above, key competitors who have been in the market considerably longer than the Company.

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 AUGUST 2022
(CONTINUED)

Strategy and Operational Review

Proposed acquisition and rationale of the deal

As part of our long-term strategy, we entered discussions to acquire Cannaray Brands in a transaction that would constitute a reverse takeover of Cellular Goods. The initial consideration is to be determined, with an announcement to be made in due course. These discussions, which are subject to an application being made to the Financial Conduct Authority, are progressing well, and we will provide an update in due course.

The Cannaray subsidiary is a leading consumer CBD brand in the UK and offers a range of high-quality ingestibles CBD products (such as oils, gummies, capsules) which are sold in the UK and sold through 1,500 retailer outlets including leading high street supermarkets and direct-to-consumer branded websites. Their ingestible products also fill an important gap in our own portfolio and will strengthen our product offering in ingestibles, which is one of the largest and fastest growing segments of the CBD consumer goods sector. Cannaray has also developed a leading marketing approach via a partnership with TV and radio presenter Claudia Winkleman, and national TV advertising on Channel 4.

Following the discussions with Cannaray Limited, the Company is no longer to acquire Love CBD Health Ltd as part of the transaction.

The proposed acquisition, if completed, is intended to create long-term value for shareholders by bringing together complementary businesses to provide growth opportunities, scale benefits and an enhanced market presence. The deal will also help to achieve a key medium-term intention of the Company to expand its product range to include a complementary range of grown CBD containing products. Given the headwinds in the cannabinoid sector, the Directors consider it prudent to accelerate the Company's plans with the proposed acquisition, which will provide existing recognisable brands and a diverse range of grown CBD products to complement the Company's own lab-produced cannabinoid consumer products.

CBD market opportunity

Notwithstanding the near-term challenges faced by the Company, the UK is the world's second-largest CBD market, behind the United States. Demand for CBD grew during the COVID-19 pandemic, with the market now estimated as worth £690 million per annum, up from £400 million in 2020 and more than twice the estimate of £300 million in 2019. The market is estimated to surpass £1bn annually by 2025 with an anticipated CAGR of 40.4% throughout 2020-2025. The CBD market is now worth more than both the Vitamin C and D markets in the wellness sector, with products generally available on the shelves in retail stores and online. (*Source: New Frontier Data*)

I would also like to thank our many shareholders for their support and patience while we navigate the current challenges and look to improvement in our performance in the year ahead.

Operational review

The Company's initial focus was on three product verticals: a premium CBG skincare range and CBD-based ingestibles range, and a topical athletic recovery products range, which will launch in 2023.

The inaugural range of skincare products and ingestibles was launched on 1 December 2021 via the Company's online ecommerce platform. Customer order intake for the face oil and after shave moisturiser commenced immediately followed by the face serum in March 2022. The Look Better range was launched on Amazon Marketplace in late February 2022, thereby enabling our products to be sold through the UK's largest retailer for the first time.

The launch generated much media and consumer interest including in leading publications such as Vogue and Men's Health. However, it did not convert into customer orders at the rate envisaged by the Company. A major factor for the disappointing revenue performance was a decision by leading online platforms including Facebook and Google to prohibit advertising of cannabinoid infused products on their platforms. As part of a wider industry effort, we continue to lobby these US-based platforms for the ban to be lifted, but progress has been slow even as, ironically, many US states relax their laws governing the sale of cannabis and CBD infused products under their jurisdictions.

In April 2022 we also took the decision to withdraw our ingestibles range, supplied by Chanelle McCoy Health, from sale in the UK following the imposition of new rules governing the sale of novel foods by the FSA.

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 AUGUST 2022
(CONTINUED)

Although our products are high quality, safe and identical to other products that are permitted for sale, these are not included in the FSA-approved list for sale. Although we and our supplier have requested the FSA to reconsider the ban, the matter remains in deadlock. We have therefore written down the value of that stock to nil.

Even so, ingestibles accounted for approximately 43% of unit sales and 32% by value for the period up to the time they were pulled from the market, demonstrating their market potential.

In addition to the proposed acquisition of Cannaray Brands Limited, Cellular Goods is also considering overseas markets for its ingestibles as part of its plans to diversify into new territories next year. However, no firm decision has been made at present and, as stated above, the stock value has been written off.

Marketing refocus on sales growth

During the second half of the year, a broad-scale marketing and advertising campaign was undertaken to raise consumer awareness of our brand to engender long-term demand for our products. It is an essential part of establishing a new brand and widely used strategy to gain market share in the consumer brands industry. Although the campaign generated disappointingly low revenue growth during the year, the greater brand awareness created in 2022 has paved the way for the Company to renew focus on delivering near-term sales growth through a more targeted online marketing strategy. This involves marketing initiatives to improve customer experience, loyalty and retention programmes, repeat business, improved email communications as well as more online content marketing to drive engagement and follower growth. A new customer relation management system, brought in during the year to power this revenue drive, is now fully operational.

Marketing channels for promotional spend have been selected carefully to drive strong returns on investment, which include public relations, paid social, affiliate marketing, search engine optimisation, retail partnerships, email and onsite marketing.

UK patent application

As announced previously, a UK priority patent application was filed on 26 April 2022 concerning the use of CBG for skin brightening purposes. Skin brightening is a novel application for CBG and point of difference compared to CBD. It is also a top-line consumer concern across both cosmetic and clinical segments and our filing includes claims for both segments. We are making good progress to respond to follow-up searches/enquiries from the Intellectual Property Office before final submission by Q2 2023.

Post-balance sheet milestones

Our growth plans have advanced further with the achievement of several milestones since the year end. On 21 September 2022, the Look Better range was expanded, as planned, with the introduction of three Rejuvenating products, fronted by international supermodel Helena Christensen, who has been appointed as the 'Face of Cellular Goods'.

The launch has generated a positive response in the UK as well as the US where Christensen is based, resulting in a notable uptick in sales orders. Our ecommerce website has been opened to US consumers to capitalise on Christensen's popularity there, and US consumers can now place orders for selected items from the skincare range for shipment to the US.

The Company will assess online traffic and sales to assess potential market demand for selected territories' entry next year to expand its addressable market and revenue base if viable. However, these moves are likely to require further investment in product packaging, marketing and sales support and fulfilment infrastructure. No decision will be taken until the Company is confident of generating a suitable return on its capital.

Our retail strategy received a major boost on 24 October 2022 with the launch of eight skincare products on Debenhams.com, a UK retailer. This is our first major retail distribution deal after Amazon and provides a significant validation of our premium product strategy. It also has the potential to open other retail opportunities in the UK. We are working closely with Debenhams.com to develop new marketing activities to drive sales.

CELLULAR GOODS PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

Current trading and outlook

Trading in the first quarter of the 2022/2023 financial year has improved significantly as our brand investment and marketing strategy, together with an expanded skincare range, generate increasing sale momentum from a low base.

As a result, the Company has seen three straight months of sequential growth in revenues during the first quarter. Online sales through our website also continue to grow steadily and accounted for close to 50% of total sales by volume and value during the quarter, driven by strong uptake of our Rejuvenating skincare range. Sales through Amazon are also expected to receive a fillip from our seasonal range during the festive season. We also have seen an encouraging start to US orders, which commenced in early October, followed by our product launch with Debenhams on 24 October 2022.

With the current year off to a positive start, and a streamlined operational structure and a revenue-focussed marketing strategy in place, the Board looks to the future with cautious optimism.

Darcy Taylor
Chairman

23 December 2022

CELLULAR GOODS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2022

The directors present their strategic report for the year ended 31 August 2022.

Principal activity

The Company's principal activity is a premium high-quality, independently tested and compliant consumer cannabinoid business targeting the expanding but fragmented CBD sector.

Review of the business and future developments

Cellular Goods PLC is a UK-based wellness company providing premium consumer products formulated with lab-produced cannabinoids consumer products. Cellular Goods was incorporated to establish premium high-quality, efficacy-led and research-backed cannabinoid-powered wellness products targeting the expanding but fragmented CBD sector.

The Company's focus to date has been on three product verticals: Function Better, Feel Better and Look Better. These three verticals encompass Cellular Goods' premium CBG skincare and CBD ingestible and topical athletic recovery products offering that builds on existing consumer behaviours, is premium focused, simple to understand and available both direct-to-consumer and through selected retail outlets. The Company's products are available direct to the consumer through the Company's website, e-commerce sites, such as Amazon and through physical retail partnerships.

The Company's medium-term intention was to expand its product range to also include a complementary range of grown CBD-containing products.

Performance of the business during the year and at the end of the year

The Company reported a loss of £5,988,673 for the year ended 31 August 2022 (2021: loss of £3,336,501). The loss was primarily a consequence of the start-up phase of the company, with trading only commencing during the year, in December 2021.

Net assets of the Company at the year-end were £4,852,232 (2021: net assets £10,547,754).

Key Performance Indicators (KPIs)

The Board aims to monitor the activities and performance of the Company regularly. The Company only commenced sales midway throughout the year and the Directors regularly review sales, stock levels, new product development, and cash reserves.

For now, the Directors consider that a KPI applicable to the Company is maintaining cash reserves held in cash and short-term investments.

	2022	2021
Cash at bank	<u>£4,376,134</u>	<u>£10,322,476</u>

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2022
(CONTINUED)

Principal risks and uncertainties

The Company operates in an uncertain environment and is subject to a number of risk factors. The Directors consider the risk factors in this report will be relevant to the Company's activities. It should be noted that the list is not exhaustive and other risk factors not presently known or currently deemed immaterial may apply.

Early stage of operations and cash levels

The Company's operations are at an early stage, with eight products launched over the course of the past year, and the business is reliant on a small number of principal suppliers.

The Directors consider the principal risks for the Company to be the maintenance of cash while it focuses on developing its consumer cannabinoid business, and the level of sales.

CBD and CBG supply arrangements

As the Company expands its product range and enters new geographical markets, we will consider its reliance on individual third parties, and will seek to take measures to minimise supplier risk and the resulting potential disruption to its business as appropriate to the business's stage of operations and development.

The Company has partnered with a leading bio-synthetic CBG (cannabigerol) producer and chemically-synthetic CBD (cannabidiol) producer, both with experience and expertise in the synthesis of cannabinoid compounds. There are several business risks related to the procurement of synthetic cannabinoids, which form the basis of the Company's products.

First, the Company's principal sources of synthetic CBG and CBD are imported, and therefore subject to import and export risk, which may be exacerbated by the consignment being a cannabinoid.

Secondly, the synthesis of these compounds at commercial volumes remains relatively novel, and so may be subject to unexpected issues, delays or quality control problems, which may adversely affect the Company's supply of high-quality synthetic cannabinoids. Such disruption could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Lastly, there are a limited number of suppliers engaged in the commercial production of synthetic cannabinoids, thereby limiting the company's ability to build contingency into their supply chain.

Market demand

Acceptance and/or widespread use of CBD or CBG products containing these cannabinoids is uncertain. This is further aggravated by the inability to promote and advertise products on social media due to marketing restrictions on products containing CBD, which presents a hindrance to growth plans.

Reliance on key personnel

The Company's business is dependent on the services of a small management team and the loss of a key individual could have an adverse effect on the future of the Company's business. The Company's future success will also depend in part on its ability to attract and retain highly skilled personnel. This risk is managed by offering salaries that are competitive in the current market.

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2022
(CONTINUED)

Regulatory risk

A breach with any environmental or regulatory requirements, including data protection and privacy breaches, may give rise to reputational, financial or other sanctions against the Company, and therefore the Board considers these risks seriously and designs, maintains and reviews the policies and processes so as to mitigate or avoid these risks. The Board has a good record of compliance, but there is no assurance that the Company's activities will always be compliant.

Novel food legislation, which is preventing the sale of ingestible products, presents a risk to the Company as it is a barrier to expanding the product range into some new markets with higher volumes and larger consumer bases. Ultimately, this impacts the growth of the business. The company wrote down to zero value its existing inventory of ingestible products, due to a perceived inability to sell before expiry. There is the same risk for other finished products which may not be sold before their respective expiry dates, and a risk of stock of packaging remaining unused.

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(1) of the Companies Act 2006.

The requirements of s172(1) are for the Directors to:

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

The Company has created and is expanding a new range of products for sale in what we believe is a fast-growing but developing environment, and is dependent on the support of consumers for its future success. The start-up nature of the business is understood by the Company's directors, employees and suppliers.

During the year, nine individuals served as directors of the company, of whom six were male and three were female. At today's date, below board level, all staff except for one are female.

The application of the s172 requirements can be demonstrated in relation to some of the key decisions made during the year, including the appointment of new directors, hiring key executives for the supply chain and marketing, various promotional activities, and opening new sales channels.

As a company with a growing social following and the imminent launch of a range of cannabinoid products, the board takes seriously its ethical responsibilities to the communities and the environment in which it works.

This strategic report was approved by the board on 23 December 2022 and signed on its behalf by:

Darcy Taylor
Chairman and Interim Chief Executive Officer

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2022

The Directors present the Annual Report and the audited financial statements for the year ended 31 August 2022.

Principal activities

The Company established a biosynthetic CBD retail business and was admitted to the Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules) and trading on the London Stock Exchange on 26 February 2021. The Company was incorporated in England and Wales. Its sole subsidiary was incorporated in Canada.

Directors

The Directors of the Company during the year ended 31 August 2022 and to the date of this report were:

Darcy Taylor

Bruna Nikolla (appointed 22 August 2022)

Peter Wall

Alexis Abraham (resigned 28 February 2022)

Anna Chokina (appointed 6 December 2021, resigned 26 September 2022)

Eric Chang (resigned 15 April 2022)

Simon Walters

David Gardner (resigned 12 May 2022)

Ross Connolly (resigned 12 May 2022)

Gill Whitty Collins (appointed 12 May 2022)

Misha Sher (appointed 12 May 2022)

Events after the reporting date

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Future developments

See the Strategic Report for anticipated future developments of the Company.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 August 2022 (CONTINUED)

Dividends

The Directors do not propose a dividend in respect of the year ended 31 August 2022 (2021: nil).

Corporate governance

As a Company listed on the standard segment of the Official UK Listing Authority, the Company was not required to comply with the provisions of the UK Corporate Governance Code.

The Company does not choose to voluntarily comply with the UK Corporate Governance Code. The Directors are responsible for internal control in the Company and for reviewing effectiveness. Due to the size of the Company, all key decisions are made by the Board. The Directors have reviewed the effectiveness of the Company's systems during the year under review and consider that there have been no material losses, contingencies or uncertainties due to weaknesses in the controls. The Company will comply with the Quoted Company Alliance Code insofar as is appropriate having regard to the size and nature of the Company and the size and composition of the Board.

Carbon and greenhouse gas emissions

The Company currently has minimal sales revenue, relatively few employees (other than the Directors) and uses rented offices. Therefore, the Company has minimal carbon emissions and it is not practical to obtain emissions data at this stage. The Company consumed less than 40,000 KWh of energy in the United Kingdom and is currently exempt from the requirement to disclose its greenhouse gas and other emission producing sources under the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2014.

Going concern

The Directors, having made due and careful enquiry, are of the opinion that the Company has adequate working capital to meet its obligations over the next 12 months. The Directors therefore have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have adopted the going concern basis of accounting in the preparation of the annual financial statements.

Employees

The Company is in early stages of development. As at 31 August 2022, the Company utilised the expertise of the Directors, three employees in Canada, and five employees in the UK.

Financial risk management

The Company has a simple capital structure and its principal financial asset is cash. The Company's market risk is limited to price risk, primarily for the costs of operating a retail biosynthetic CBD business. The Directors manage the Company's exposure to liquidity risk by maintaining adequate cash reserves and ensuring any debt financing is at a competitive interest rate which can be maintained within the Company's cash resources going forward.

Further details regarding risks are detailed in the notes to the financial statements.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

Provision of information to auditor

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

PKF Littlejohn LLP will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006. PKF Littlejohn LLP, the auditors, have indicated their willingness to continue in office as auditors.

Approved by the Board on 23 December 2022, and signed on its behalf by:

Bruna Nikolla
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2022

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the Group and Company financial statements in accordance with UK-adopted international accounting standards and as regards the Company financial statements, as applied in accordance with the provisions of 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 the Company and of the profit or loss of the Group and Company for that year.

In preparing these 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;
- State whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the requirements of the Companies Act 2006 and, as regards the Group financial statements, in accordance with UK-adopted international accounting standards. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4 (Disclosure and Transparency Rules)

The directors confirm to the best of their knowledge and belief:

- The Group and Company financial statements have been prepared in accordance with UK-adopted international accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company; and
- The annual report includes a fair review of the development and performance of the business and financial position of the Group and Company, together with a description of the principal risks and uncertainties.

On behalf of the board.

Darcy Taylor
Chairman

23 December 2022

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2022

This remuneration report sets out the Company's policy on the remuneration of executive and non-executive Directors together with details of Directors' remuneration packages and service contracts for the year ended 31 August 2022. Due to the size of the Board and the early-stage of the Company's listing, an independent remuneration committee is not considered appropriate. The Company did not appoint any third-party advisers in relation to directors' remuneration.

The items included in this report are unaudited unless otherwise stated.

Remuneration policy

In setting the policy, the Board has taken the following into account:

- The need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the Company;
- The Company's general aim of seeking to reward all employees fairly according to the nature of their respective roles and performance;
- Remuneration packages offered by similar companies within similar sectors;
- The need to align the interests of shareholders as a whole with the long-term growth of the Company; and
- The need to be flexible and adjust with operational changes throughout the term of this policy.

Current and future policy

Executive directors are paid monthly and have received no increases since appointment. Any increases will be decided upon by the full board (with each director recusing himself where appropriate) and will be based on comparisons with other companies of a similar size and sector.

UK-based executive directors are entitled to participate in the company's auto-enrolment pension scheme if they wish. No directors receive any benefits for life insurance, accidental death or critical illness cover, hospital fees, dental care or similar. No director has any entitlement to a company car, fuel allowance, or equivalent benefits.

The Directors are reimbursed by the Company for any travel, hotel or other expenses that they occur in connection with the discharge of their duties.

Non-executive directors may be entitled to remuneration based on recommendations of the Chairman and comparisons with other companies of a similar size in a similar sector.

No directors have received bonuses and any eventual bonuses will be decided upon by the full board with each director recusing himself or herself from discussions about his or her bonus.

The company does not have a remuneration committee. During the year, key decisions made by the full board in respect of remuneration were remuneration packages for Anna Chokina and Bruna Nikolla, and the fees for non-executive directors Gill Whitty Collins and Misha Sher. Alexis Abraham and Eric Chang, executive directors who left the board during the year, received the payments due to each of them under their respective service contracts.

Other than as stated above, there were no major decisions on directors' remuneration, nor any substantial changes on the remuneration, and no discretion exercised with the award of directors' remuneration. No executive directors received salary increases in the year, so there are no year-on-year percentage increases to announce.

In the year to 31 August 2022 the mid-market price of shares in Cellular Goods changed from 6.30 pence to 2.05 pence, a fall of 67%.

The Directors have considered the requirement to present information on the relative performance of spend on pay compared to shareholder dividends. As the company does not currently pay dividends, we have not considered it necessary to include such information.

CELLULAR GOODS PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

Directors' remuneration (audited)

Details of the directors' remuneration during the year ended 31 August 2022 are as follows:

Director	Salary and fees	Benefits- in-kind	Pension contributions	2022 Total	2021 Total
	£	£	£	£	£
Executive directors					
Alexis Abraham (resigned 28 February 2022)	174,100	-	-	174,100	132,000
Anna Chokina (resigned 26 September 2022)	223,077	-	550	223,627	-
Eric Chang (resigned 15 April 2022)	156,562	-	-	156,562	119,000
Bruna Nikolla	3,692	-	-	3,692	-
Simon Walters	120,000	-	1,320	121,320	86,611
Timothy Le Druillenec (resigned 20 Nov 2020)	-	-	-	-	17,250
Non-executive directors					
Peter Wall	42,000	-	-	42,000	28,000
Darcy Taylor	36,000	-	-	36,000	15,000
Gill Whitty Collins	9,144	-	-	9,144	-
Misha Sher	9,144	-	-	9,144	-
Ross Connolly (resigned 12 May 2022)	-	-	-	-	-
David Gardner (resigned 12 May 2022)	-	-	-	-	-
Total	773,719	-	1,870	775,589	397,861

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

Service agreements and Letters of Appointment

Under a letter of appointment with Darcy Taylor dated 18 February 2020, conditional upon Admission, he was appointed as a non-executive director of the Company for an annual fee of £30,000, payable monthly in arrears. From 10 May 2022, Mr Taylor's role changed to non-executive chairman, under a new two-year agreement at £48,000 per annum, payable monthly in arrears.

The appointment as chairman is for an initial term of 24 months and is terminable on three months' notice by either party. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Taylor is in material breach of the terms of the appointment.

Bruna Nikolla was appointed as a Director on 22 August 2022 and is the company's Chief Financial Officer and Company Secretary. She receives a salary of £120,000 per annum, payable monthly in arrears, and is on six months' notice by either party.

Under a letter of appointment dated 1 February 2021, Peter Wall was appointed as non-executive chairman of the Company and received an annual fee of £48,000, payable monthly in arrears. Under the terms of a subsequent agreement dated 10 May 2022, Mr Wall's role changed to non-executive director, for a further two years, for an annual fee of £30,000 payable monthly in arrears.

In his new role, Mr Wall is expected to devote at least six days a year to perform his duties for the Company. The appointment may be terminated by three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Wall is in material breach of the terms of the appointment.

Simon Walters was appointed as finance director under a service agreement dated 10 February 2021, for an annual salary of £120,000, payable monthly in arrears. On 1 September 2022, the role held by Mr Walters changed to non-executive director, for an initial period of four months, for a monthly fee of £2,500. The revised appointment may be terminated by one week's notice on either side.

Gill Whitty Collins was appointed as a non-executive director of the company on 12 May 2022 and is entitled to fees of £30,000 per year under a contract for services for an initial two-year period which can be terminated by either party giving three months' notice.

Ms Whitty Collins is expected to devote at least six days a year to perform duties for the Company. The appointment may be terminated immediately if, among other things, she is in material breach of the terms of the appointment.

Misha Sher was appointed as a non-executive director of the company on 12 May 2022 and is entitled to fees of £30,000 per year under a contract for services for an initial two-year period which can be terminated by either party giving three months' notice.

Mr Sher is expected to devote at least six days a year to perform duties for the Company. The appointment may be terminated immediately if, among other things, he is in material breach of the terms of the appointment.

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

Share warrants

Directors hold warrants to subscribe for Ordinary shares in the company in the future, as shown in the table below.

	At 1p each	At 5p each
Darcy Taylor	1,500,000	1,000,000
Peter Wall	2,500,000	2,000,000
Simon Walters	1,500,000	1,000,000
Bruna Nikolla	-	-
Gill Whitty Collins	-	-
Misha Sher	-	-

The warrants at 1p per share vested on Admission to Listing on 26 February 2021, have an exercise period of up to two years from that date, and any shares which arose before 26 February 2022 were subject to a lock-in to that date, being 12 months from Admission.

The warrants at 5p per share, being the placing price in Admission, vested 25% on Admission and thereafter in 25% tranches every six months. They have an exercise period to 26 February 2024, being three years from Admission, and any Ordinary shares which arose from exercise prior to 26 February 2022 were subject to a lock-in to that date.

Share options

Director Anna Chokina (who resigned after the year-end) held options to subscribe for 20,000,000 Ordinary shares in the Company at 31 August 2022.

Statement of directors' shareholdings

The Directors who held office at 31 August 2022 and their respective beneficial interests in the Ordinary shares of the Company at the year-end were:

	Ordinary shares	Percentage of issued share capital
Darcy Taylor	-	-
Peter Wall	1,000,000	0.2%
Anna Chokina (resigned 26 September 2022)	226,000	0.0%
Simon Walters	-	-
Bruna Nikolla	-	-
Gill Whitty Collins	-	-
Misha Sher	-	-

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

Corporate Governance Statement

The Company intends to comply with the provisions of the Corporate Governance Code published by the Quoted Companies Alliance (QCA Corporate Governance Code) insofar as is appropriate having regard to the size and nature of the Company and the size and composition of the Board.

The Company's Standard Listing means that it is also not required to comply with those provisions of the Listing Rules which only apply to companies on the Premium List. The FCA will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply.

Other matters

The Company does not have an annual or long-term incentive scheme in place for any of the Directors and as such there are no disclosures in this respect.

This report was approved by the board on 23 December 2022 and signed on its behalf by:

Darcy Taylor
Chairman and Interim Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2022

Opinion

We have audited the financial statements of Cellular Goods Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2022 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.

Conclusions relating to going concern

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

- an assessment of management's assumptions in modelling future financial performance and cash flow requirements, including consideration of future plans and ensuring any commitments are reflected therein;
- checking the mathematical accuracy of the spreadsheet used to model future financial performance and cash flow requirements; and
- assessing whether management has adequately disclosed any conditions which may cast significant doubt on the ability of the group and company to continue as a going concern in the financial statements.

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

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining our overall audit strategy, we assessed the level of uncorrected misstatements that would be material for the financial statements as a whole.

We determined the group and parent company materiality for the financial statements as a whole to be £87,700 and £78,900 (2021: £55,800 and £55,000) respectively, calculated at 1.5% of total expenses. We consider total expenses to be an appropriate benchmark for a start-up group and parent company with minimal earned revenue during the year. Performance materiality was set at 70% of overall materiality for the group and parent company at £61,300 and £55,200 (2021: £39,060 and £38,500) respectively, whilst the threshold for reporting unadjusted differences to those charged with governance was set at £4,300 for the group and £3,900 for the parent company (2021: £2,790 and £2,750). We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

The component materiality was set at group performance materiality.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain such as the valuation of share based payments and stock provisions. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. The component was audited by the group audit team for consolidation purposes.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

Key Audit Matter	How our scope addressed this matter
Valuation of Share-Based Payments (refer to note 17) The company granted options to certain directors and employees during the year. As the options are not subject to any performance conditions, they have been valued using the Black-Scholes pricing model. As with any valuation model, a degree of judgement is required regarding the key inputs into the model, including expected share price growth, share price volatility, dividend yield and date of exercise. There is a risk that the pricing model used is not in accordance with IFRS 2, and that the inputs used within the model are not appropriate, resulting in the accounting entries relating to share-based payment transactions being materially misstated.	Our audit work in this area included: • Reviewing the underlying option agreements and verified the key terms of the awards. • Reviewing the inputs used for the Black-Scholes valuation to ensure these are reasonable, with an emphasis on the volatility rate applied in the calculation. • Re-performing the share-based payment valuation calculation to ensure it is mathematically correct. • Checking the accounting treatment and associated disclosures are in accordance with IFRS 2. The Directors' judgements in the assumptions applied in the valuation model were concluded as reasonable.
Valuation of inventory (refer to note 4) There is a risk that inventory is not valued at the lower of cost and net realisable value. All inventory categories are subject to impairment review by management, taking into consideration the ageing, expiry dates, margins, regulations, local economic conditions, product competition and the additions and the uptake following marketing and brand building campaigns. In addition, management also monitor the quantity of inventory held compared to actual and forecast sales volumes.	Our audit work in this area included: • Vouching the cost of inventory back to supporting documentation including, where applicable, packaging, storage and overhead costs. • Verifying the ageing of inventory at year-end, together with the product expiry dates, and comparing to forecast sales volumes. • For post year-end sales, testing that the sales price realised exceeded the carrying value of inventory. • Reviewing the sales forecasts volumes, and the expected time to realise those sales, with reference to the volume and expiry dates of inventory. The Directors' judgements and the assumptions applied in the inventory provision model were concluded as reasonable.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

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:

- 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.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and experience of the sector.
- We determined the principal laws and regulations currently relevant to the group and parent company in this regard to be those arising from FCA Rules, the Food Standards Agency, London Stock Exchange Rules, Disclosure and Transparency Rules and international accounting standards.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to, enquiries of management and review of minutes, review of Regulatory News Service (RNS) announcements, and review of legal and regulatory correspondence.
- 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, that the estimates, judgements and assumptions applied by management in their valuation of sharebased payments and we addressed this by challenging the assumptions and judgements made by management.
- 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.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

Other matters which we are required to address

We were appointed by Board of Directors on 24 August 2021 to audit the financial statements for the year ended 31 August 2021 and subsequent financial periods. Our total uninterrupted period of engagement is three years, covering the years ended 31 August 2020, 2021 and 2022.

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 the parent company in conducting our audit. 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.

David Thompson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

23 December 2022

CELLULAR GOODS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2022

		2022	2021
	Note	£	£
Revenue	3	28,904	-
Cost of sales		<u>(10,787)</u>	<u>-</u>
Gross profit		18,117	-
Administrative expenses	5	<u>(6,009,375)</u>	<u>(3,334,439)</u>
Operating loss		(5,991,258)	(3,334,439)
Finance income		<u>1,301</u>	<u>522</u>
Loss before taxation		(5,989,957)	(3,333,917)
Corporation tax	9	<u>-</u>	<u>-</u>
Loss for the year		(5,989,957)	(3,333,917)
Other comprehensive gain/(loss)		<u>1,284</u>	<u>(2,584)</u>
Total comprehensive loss for the year		(5,988,673)	(3,336,501)
Earnings per share			
Basic earnings per share - continuing and total operations	10	<u>(1.183p)</u>	<u>(0.962p)</u>

The consolidated statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The Accounting Policies and notes on pages 29-41 form part of these consolidated financial statements.

The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the parent company Statement of Comprehensive Income.

The loss of the parent company for the year was £5,991,009 (2021: loss of £3,334,439).

CELLULAR GOODS PLC

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2022

		Consolidated 2022	Consolidated 2021	Company 2022	Company 2021
	Note	£	£	£	£
ASSETS					
Non-current assets					
Investment in subsidiary	13	-	-	1	1
Current assets					
Cash and cash equivalents		4,376,134	10,332,476	4,376,134	10,332,476
Inventory	14	504,127	57,178	504,127	57,178
Trade and other receivables	12	251,104	368,347	250,830	367,442
Total Assets		5,131,365	10,748,001	5,131,092	10,747,096
EQUITY AND LIABILITIES					
Equity attributable to owners					
Share capital	15	507,250	504,750	507,250	504,750
Share premium	15	12,513,101	12,490,601	12,513,101	12,490,601
Accumulated losses		(9,730,889)	(3,740,931)	(9,732,462)	(3,741,453)
Share-based payment reserve	17	1,564,070	1,295,918	1,564,070	1,295,918
Foreign translation reserve		(1,300)	(2,584)	-	-
Total Equity and Reserves		4,852,232	10,547,754	4,851,959	10,549,816
LIABILITIES					
Current Liabilities					
Trade and other payables	16	279,133	200,247	279,133	197,280
		279,133	200,247	279,133	197,280
Total Equity and Liabilities		5,131,365	10,748,001	5,131,092	10,747,096

The Accounting Policies and Notes on pages 29-41 form part of the financial statements

The consolidated and company financial statements were approved and authorised for issue by the Board of Directors. Signed on behalf of the Board of Directors by:

Bruna Nikolla
Director

23 December 2022

CELLULAR GOODS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 AUGUST 2022

	Share capital	Share Premium	Foreign currency translation	Share-based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£
As at 1 September 2020	128,750	195,025	-	-	(407,014)	(83,239)
Loss for the year	-	-	-	-	(3,333,917)	(3,333,917)
Exchange difference on translation	-	-	(2,584)	-	-	(2,584)
Total comprehensive loss for the year	-	-	(2,584)	-	(3,333,917)	(3,336,501)
Issue of ordinary shares (21/10/2020)	21,750	195,750	-	-	-	217,500
Issue of ordinary shares (27/11/2020)	10,000	90,000	-	-	-	100,000
Issue of ordinary shares (18/12/2020)	9,000	81,000	-	-	-	90,000
Issue of ordinary shares (12/01/2021)	30,000	270,000	-	-	-	300,000
Issue of ordinary shares (28/01/2021)	32,750	294,750	-	-	-	327,500
Issue of ordinary shares (01/02/2021)	10,000	90,000	-	-	-	100,000
Issue of ordinary shares (02/02/2021)	2,500	22,500	-	-	-	25,000
Issue of ordinary shares (26/02/2021)	260,000	12,740,000	-	-	-	13,000,000
Share issue costs	-	(1,099,849)	-	-	-	(1,099,849)
Share-based payments	-	(388,575)	-	1,295,918	-	907,343
Total transactions with owners recognised in equity	376,000	12,295,576	-	1,295,918	-	13,967,494
As at 31 August 2021	504,750	12,490,601	(2,584)	1,295,918	(3,740,931)	10,547,754

	Share capital	Share Premium	Foreign currency translation	Share-based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£
As at 1 September 2021	504,750	12,490,601	(2,584)	1,295,918	(3,740,931)	10,547,754
Loss for the year	-	-	-	-	(5,989,957)	(5,989,957)
Exchange difference on translation	-	-	1,284	-	-	1,284
Total comprehensive loss for the year	-	-	1,284	-	(5,989,957)	(4,559,081)
Issue of ordinary shares (04/03/2022)	2,500	22,500	-	-	-	25,000
Share-based payments	-	-	-	268,152	-	268,152
Total transactions with owners recognised in equity	2,500	22,500	-	268,152	-	293,152
As at 31 August 2022	507,250	12,513,101	(1,300)	1,564,070	(9,730,889)	4,852,232

The Accounting Policies and Notes on pages 29-41 form part of the financial statements.

CELLULAR GOODS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 AUGUST 2022

	Share capital £	Share Premium £	Foreign currency translation £	Share-based payment reserve £	Retained earnings £	Total equity £
As at 1 September 2020	128,750	195,025	-	-	(407,014)	(83,239)
Loss for the year	-	-	-	-	(3,334,439)	(3,334,439)
Total comprehensive loss for the year	-	-	-	-	(3,334,439)	(3,334,439)
Issue of ordinary shares (21/10/2020)	21,750	195,750	-	-	-	217,500
Issue of ordinary shares (27/11/2020)	10,000	90,000	-	-	-	100,000
Issue of ordinary shares (18/12/2020)	9,000	81,000	-	-	-	90,000
Issue of ordinary shares (12/01/2021)	30,000	270,000	-	-	-	300,000
Issue of ordinary shares (28/01/2021)	32,750	294,750	-	-	-	327,500
Issue of ordinary shares (01/02/2021)	10,000	90,000	-	-	-	100,000
Issue of ordinary shares (02/02/2021)	2,500	22,500	-	-	-	25,000
Issue of ordinary shares (26/02/2021)	260,000	12,740,000	-	-	-	13,000,000
Share issue costs	-	(1,099,849)	-	-	-	(1,099,849)
Share-based payments	-	(388,575)	-	1,295,918	-	907,343
Total transactions with owners recognised in equity	376,000	12,295,576	-	1,295,918	-	13,967,494
As at 31 August 2021	504,750	12,490,601	-	1,295,918	(3,741,453)	10,549,816

	Share capital £	Share Premium £	Foreign currency translation £	Share-based payment reserve £	Retained earnings £	Total equity £
As at 1 September 2021	504,750	12,490,601	-	1,295,918	(3,741,453)	10,549,816
Loss for the year	-	-	-	-	(5,991,009)	(5,991,009)
Total comprehensive loss for the year	-	-	-	-	(5,991,009)	(5,991,009)
Issue of ordinary shares (04/03/2022)	2,500	22,500	-	-	-	25,000
Share-based payments	-	-	-	268,152	-	268,152
Total transactions with owners recognised in equity	2,500	22,500	-	268,152	-	293,152
As at 31 August 2022	507,250	12,513,101	-	1,564,070	(9,732,462)	4,851,959

The Accounting Policies and Notes on pages 29-41 form part of the financial statements.

CELLULAR GOODS PLC

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2022

	Consolidated 2022 £	Consolidated 2021 £	Company 2022 £	Company 2021 £
Cash flows from operating activities				
Loss for the year	(5,989,957)	(3,333,917)	(5,991,009)	(3,334,439)
Share-based payment charge	268,152	907,343	268,152	907,343
Increase in inventory	(446,950)	(57,178)	(446,950)	(57,178)
Decrease/ (Increase) in debtors	117,243	(278,519)	116,612	(263,080)
Increase in creditors	78,886	17,956	81,853	456
Foreign exchange differences	1,264	(2,584)	-	-
Finance income	(1,301)	(522)	(1,301)	(522)
Net cash flow used in operating activities	(5,972,643)	(2,747,421)	(5,972,643)	(2,747,421)
Cash flows from investing activity				
Finance income	1,300	522	1,301	522
Net cash flow generated from investing activity	1,300	522	1,301	522
Cash flows from financing activity				
Issue of ordinary shares, net of issue costs	25,000	13,060,151	25,000	13,060,151
Net cash generated from financing activity	25,000	13,060,151	25,000	13,060,151
Net increase in cash and cash equivalents	(5,946,342)	10,313,252	(5,946,342)	10,313,252
Cash and cash equivalents at beginning of year	10,322,476	9,224	10,332,476	9,224
Cash and cash equivalents at end of year	4,376,134	10,322,476	4,376,134	10,322,476

The Accounting Policies and Notes on pages 29-41 form part of the financial statements.

CELLULAR GOODS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022

1. General Information

The Company was incorporated in England and Wales on 25 August 2018 as Leaf Studios Limited, but subsequently re-registered as a public limited company and renamed as Leaf Studios PLC. On 29 September 2020, the Company's name was changed to Cellular Goods PLC.

The registered office is 9th Floor, 16 Great Queen Street, London, WC2B 5DG. The principal activity of the Company is establishing a biosynthetic CBD retail business. The Company gained admission to the Official List (by way of a Standard Listing under Chapter 14 of the Listings Rules) and trading on the London Stock Exchange on 26 February 2021.

The company has one subsidiary, CBX Cellular Goods Canada Limited, which was incorporated in Canada.

2. Accounting Policies

The Directors consider that in the proper preparation of the financial statements there were no critical or significant areas which required the use of accounting estimates and exercise of judgement by management while applying the Company's accounting policies, with the exception of share-based payment calculations and inventory valuations.

There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The functional and presentational currency is Pounds Sterling ("GBP").

2.1 Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards in accordance with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention. There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

Amounts in the financial statements have been rounded to the nearest pound.

2.2 Revenue recognition

Revenue from the sale of goods is recognised when a group entity sells a product to a customer. Sales are mostly made via online portals, paid by credit card, at which point revenue is recognised. For sales made in traditional retail shops, revenue is recognised when consumers buy each product (goods held by retail outlets are not treated as sales by Cellular Goods).

2.3 Inventory

Inventory is valued at lower of cost and net realisable value. Cost is based on the purchase price of the manufactured products, materials and transport costs. Net realisable value is based on the estimated selling price less estimated selling costs. Stock considered to have no value has been written down to nil.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)**

2. Accounting Policies (Continued)

2.4 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary as of 31 August 2022. The subsidiary has a reporting date of 31 August and is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the entity. The subsidiary has been fully consolidated from the date on which control was transferred to the Group.

Inter-company transactions, unrealised gains and losses on intra-group transactions and balances between Group companies are eliminated on consolidation.

New and Revised Standards

There were no new and amended standards adopted for the first time which had a material impact on the Group or Company.

IFRS in issue but not applied in the current financial statements

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group or Company in preparing these financial statements, as they are not yet effective. The Group or Company intends to adopt these standards and interpretations when they become effective, rather than adopt them early.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12).
- Disclosure of Accounting Policies (Amendments to IAS 1).
- Definition of Accounting Estimates (Amendments to IAS 8).
- IFRS 3 amendments - Business Combinations (effective: 1 January 2022).
- IAS 37 amendments - Provisions, Contingent Liabilities and Contingent Assets (effective: 1 January 2022).

The above standards are not expected to have a material impact on the Group or Company in future reporting periods and on foreseeable future transactions.

2.5 Going concern

The Directors have assessed the current financial position of the Group, along with future cash flow requirements, to determine whether the Group has the financial resources to continue as a going concern for the foreseeable future.

The conclusion of this assessment is that it is appropriate that the Group be considered a going concern. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

2.6 Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure. The Company has no borrowings. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company monitors capital on the basis of the total equity held by the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)**

2. Accounting Policies (Continued)

2.7 Financial Instruments

Initial recognition

A financial asset or financial liability is recognised in the Statement of Financial Position of the Group when it arises or when the Group becomes part of the contractual terms of the financial instrument.

Classification

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

1. The asset is held within a business model whose objective is to collect contractual cashflows; and
2. The contractual terms of the financial asset generating cash flows at specified dates only pertain to capital and interest payments on the balance of the initial capital.

Financial assets which are measured at amortised cost, are measured using the Effective Interest Rate method ("EIR") and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial liabilities at amortised cost

Financial liabilities measured at amortised cost using the EIR method include trade and other payables that are short term in nature.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

A financial asset is derecognised when:

1. The rights to receive cash flows from the asset have expired, or
2. The company has transferred its rights to receive cash flows from the asset or has undertaken the commitment to fully pay the cash flows received without significant delay to a third party under an arrangement and has either (a) transferred substantially all the risks and the assets of the asset or (b) has neither transferred nor held substantially all the risks and estimates of the asset but has transferred the control of the asset.

2.8 Impairment

The Group recognises a provision for impairment for expected credit losses regarding all financial assets. Expected credit losses are based on the balance between all the payable contractual cash flows and all discounted cash flows that the Company expects to receive. Regarding trade receivables, the Company applies the IFRS 9 simplified approach in order to calculate expected credit losses. Therefore, at every reporting date, provision for losses regarding a financial instrument is measured at an amount equal to the expected credit losses, trade receivables and contract assets have been grouped based on shared risk characteristics.

At each balance sheet date, the Directors review the carrying amounts of the Company's investments, to determine whether there are any indications that those investments have suffered an impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

2. Accounting Policies (Continued)

2.9 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which entities operate ('the functional currency'). The financial statements are presented in Pounds Sterling, which is the parent company's functional and presentation currency. There has been no change in the functional currency during the current or preceding period.

(ii) Transactions and balances

Transactions in foreign currencies are translated into Pounds Sterling using monthly average exchange rates. This is permissible in this case as there are no significant fluctuations between the currencies with which the entity operates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the Statement of Financial Position date and any exchange differences arising are taken to profit or loss.

(iii) Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than GBP are translated into GBP upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Income and expenses have been translated into GBP at the average rate over the reporting period. Exchange differences arising from significant foreign subsidiaries are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

2. Accounting Policies (Continued)

2.10 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.11 Taxation and deferred taxation

The income tax expense or income for the year is the tax payable on the current period's taxable income. This is based on the national income tax rate enacted or substantively enacted for each jurisdiction with any adjustment relating to tax payable in previous years and changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Current tax credits arise from the UK legislation regarding the treatment of certain qualifying research and development costs, allowing for the surrender of tax losses attributable to such costs in return for a tax rebate.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted by the reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of temporary differences can be deducted. The carrying amount of deferred tax assets are reviewed at each reporting date.

2.12 Trade and other payables

Short-term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)**

2. Accounting Policies (Continued)

2.13 Trade and other receivables

Trade and other receivables are short-term financial assets due to the Company. Other receivables are recognised at the transaction's price when it is probable that economic benefit will flow to the Company.

2.14 Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

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

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits with banks and other financial institutions, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3. Segment information

In the prior year, to 31 August 2021, the Group generated no revenue. Sales commenced in December 2021 and, in the year to 31 August 2022, revenue was derived wholly from the sale of cannabinoid products.

Under IFRS 8 there is a requirement to show the profit or loss for each reportable segment and the total assets and total liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision-maker.

The Group has one operating segment, being the establishment and operation of a biosynthetic CBD retail business, therefore all IFRS 8 disclosures are incorporated within other notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

4. Critical accounting estimates and judgement

In the application of the Group's and Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors have applied their knowledge and experience of the industry in determining the level of provisions required in calculating inventory values. Specific estimates and judgements are required on the ageing of inventory, expiry dates, local economic conditions, increased costs and lower margins, overstocking and more. Provision estimates are forward looking and are formed using a combination of factors including management's knowledge of the industry and the overall assessment made by management of the risks in relation to inventory.

Estimating the fair value of share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant of share options and warrants. This estimate also requires determination of the most appropriate inputs into the valuation model including volatility and dividend yield, and making assumptions about them. The assumptions used for estimating the fair value of share-based payment transactions are disclosed in note 17.

5. Expenses by nature

	2022 £	2021 £
Legal and professional	374,488	325,496
Auditor's remuneration	26,500	81,000
Directors' remuneration	775,589	379,952
Share-based payment charge	268,152	907,343
Consultancy	903,426	514,944
Advertising and promotion	1,927,813	830,225
Product research and development	356,524	133,366
Other expenses	1,376,883	162,113
	6,009,375	3,334,439

6. Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the Group's and Company's annual financial statements	26,500	23,500
Fees payable to the Company's auditor for corporate finance services	-	57,500
	26,500	81,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

7. Directors' remuneration

Directors' remuneration amounted to £775,589 during the year (2021: £397,861), of which £nil (2021: £nil) remained outstanding at the year end. Detailed disclosure of Directors' remuneration is disclosed in the Directors' Remuneration Report.

8. Employees

The average number of employees for the Group during the year was 5 (2021: 2), apart from the Directors.

	2022 £	2021 £
Directors' remuneration	775,589	397,202
Wages and salaries	654,096	127,875
Social security costs	105,700	1,163
Pension	10,925	658
Share-based payments	268,152	546,616
	<u>1,814,462</u>	<u>1,073,514</u>

9. Taxation

The tax charge for the year was £nil (2021 - £nil). The Company had tax losses at the year-end of £8,848,182 (2021: £3,140,403), on which no deferred tax asset has been recognised.

Factors affecting the tax charge

The tax assessed for the year is higher (2021: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(5,991,009)</u>	<u>(3,333,917)</u>
Loss for year multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,138,292)	(633,645)
Effects of:		
Disallowable expenditure	53,813	173,598
Unutilised losses on which no deferred tax losses is required	<u>1,084,479</u>	<u>460,047</u>
Tax charge for the year	<u>-</u>	<u>-</u>

On 3 March 2021, the UK government announced that it intended to increase the main rate of corporation tax to 25% for the financial years beginning 1 April 2023. This new rate was substantively enacted by Finance Act 2021 on 10 June 2021.

10. Earnings per share

	2022	2021
Loss attributable to equity holders of the Company	£5,989,957	£3,333,917
Weighted average number of Ordinary Shares in issue (number)	505,989,726	346,475,342
Basic earnings per share (pence per share)	(1.183p)	(0.962p)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

11. Financial Instruments

	2022 £ Group	2021 £ Group	2022 £ Company	2021 £ Company
Carrying amount of financial assets				
Financial assets measured at amortised cost				
Trade and other receivables	-	905	-	-
Cash and cash equivalents	4,376,134	10,322,476	4,376,134	10,322,476
	4,376,134	10,323,381	4,376,124	10,322,476
Carrying amount of financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	279,133	200,247	279,133	197,280

12. Trade and other receivables

	2022 £ Group	2021 £ Group	2022 £ Company	2021 £ Company
VAT debtor	94,556	206,890	94,556	206,890
Prepayments	153,697	160,552	153,697	160,552
Amounts due by subsidiary undertaking	-	-	2,577	-
Other debtors	2,852	905	-	-
	251,105	368,347	250,830	367,442

13. Investment in subsidiary

The investment in subsidiary companies comprises one wholly-owned subsidiary of the Company which is incorporated in Canada and has its registered office at 700-401 West Georgia Street, Vancouver, British Columbia V6B 5A1, Canada. The subsidiary undertaking is set out below.

Name	Principal activity	Holding
CBX Cellular Goods Canada Ltd	Cannabinoid products	100%
Cost and net book value		Investments in subsidiary undertaking £
As at 1 September 2021		1
Additions		-
As at 31 August 2022		1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

14. Inventory

	2022 £ Group	2021 £ Group	2022 £ Company	2021 £ Company
Raw materials and packaging	363,410	57,178	363,410	57,178
Finished goods	335,150	-	335,150	-
Provision for obsolescence	(194,433)	-	(194,433)	-
	504,127	57,178	504,127	57,178

The cost of inventory recognised within cost of sales amounted to £10,787 (2021: nil). Write-downs of inventory to net realisable value amounting to £194,433 was recognised in administrative expenses in the statement of profit or loss.

15. Share capital and share premium

	Number of shares No.	Share capital £	Share premium £	Total £
At 1 September 2021	504,750,000	504,750	12,490,601	12,995,351
Issue of ordinary shares (04/03/2022)	2,500,000	2,500	22,500	25,000
At 31 August 2022	507,250,000	507,250	12,513,101	13,020,351

16. Trade and other payables

	2022 £ Group	2021 £ Group	2022 £ Company	2021 £ Company
Trade creditors	125,374	176,747	125,374	159,246
Accruals	84,222	23,500	84,222	23,500
Other creditors	69,537	-	69,537	-
Amount due to subsidiary undertakings	-	-	-	14,534
	279,133	200,247	279,133	197,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

17. Share-based payments

The Company has issued a total of 52,960,000 warrants to subscribe for additional share capital of the Company, of which 2,500,000 were exercised in the year, leaving 50,460,000 in issue at 31 August 2022. Each warrant entitles the holder to subscribe for one ordinary equity share in the Company. The right to convert each warrant is unconditional.

In the year to 31 August 2022, the Company issued 23,050,000 share options to subscribe for additional share capital of the Company to its employees, of which 500,000 have lapsed, leaving 22,550,000 in issue. Each option entitles the holder to subscribe for one ordinary equity share in the Company. The right to convert each option is subject to the terms of each respective share option agreement.

Equity-settled share-based payments are measured at fair-value (excluding the effect of non-market- based vesting conditions) as determined through use of the Black-Scholes technique at the date of issue.

Warrants	Weighted average exercise price	31-Aug-22 Number	31-Aug-21 Number
At the beginning of the year	2.95p	52,960,000	-
Issued in the year	2.95p	-	52,960,000
Exercised in the year	1.00p	(2,500,000)	-
At the end of the year	3.05p	50,460,000	52,960,000

Share options	Weighted average exercise price	31-Aug-22 Number	31-Aug-21 Number
At the beginning of the year	-	-	-
Issued in the year	7.47p	23,050,000	-
Lapsed in the year	-	(500,000)	-
Exercised in the year	-	-	-
At the end of the year	7.47p	22,550,000	-

The total share-based payment charge for year was £268,153 (2021: £1,295,918). An amount of £268,153 (2021: £907,343) has been charged to administrative expenses and £nil (2021: £388,575) to share premium. The share-based payment charge was calculated using the Black-Scholes model. All warrants have a vesting period between one and three years from the date of issue and are subject to their respective lock-in conditions if exercised. All share options have an exercise period of between three and ten years.

Volatility for the calculation of the share-based payment charge in respect of the warrants issued was determined by reference to movements in share price of the Company for the period after the date of admission and by reference to the relative share prices of a selected peer group of companies listed on the London Stock Exchange up to the date of admission.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)**

17. Share-based payments continued

The inputs into the Black-Scholes model for the share options issued in the year are as follows:

	31 August 2022 Share options issued
Weighted average share price at grant date – pence	6.79
Weighted average exercise price – pence	7.47
Weighted average volatility	70.8%
Weighted average expected life in years	1.82
Weighted average contractual life in years	10.00
Risk-free interest rate	1.5 to 2.0%
Expected dividend yield	0%
Weighted average fair-value of warrants granted (pence)	2.07

The total number of warrants held by directors at 31 August 2022 was 9,500,000 (2021: 24,000,000). The total number of share options issued to directors at 31 August 2022 was 20,000,000 (2021: Nil).

18. Contingent liabilities

There were no contingent liabilities at 31 August 2022 or 31 August 2021.

19. Capital commitments

There were no capital commitments at 31 August 2022 or 31 August 2021.

20. Controlling party

There was no ultimate controlling party as at the year-end.

21. Related-party transactions

During the year, the Company incurred fees of £28,812 (2021: £69,755) for consulting services from Headline FD Limited, a company majority-owned by Simon Walters. Of this, £Nil (2021: £29,480) was included in Directors' remuneration and £1,750 (2021: £2,100) was outstanding at the year end. The Company incurred fees of £Nil (2021: £45,042) from Ampersand Ventures Limited, a Canadian company controlled by Eric Chang. Of this, £Nil (2021: £Nil) was outstanding at the year-end.

During the year, the Company purchased £Nil (2021: £45,000) of consultancy services from Toro Consulting Limited, a Canadian company owned by Jonathan Bixby, who is in joint control of Canadian-registered Durban Holdings Limited. Of this, £Nil (2021: £Nil) was outstanding at the year-end. In addition, the company incurred fees of £Nil (2021: £17,250) during the year from Briarmount Limited, a company part-owned by Timothy Le Druillenec, while he was a director of Cellular Goods. Of this, £Nil (2021: £Nil) remained outstanding at the year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2022 (CONTINUED)

22. Subsequent events

Subsequent to the year-end, our growth plans advanced further with the achievement of several milestones. On 21 September 2022, the Look Better range was expanded with the introduction of three Rejuvenating products, fronted by international supermodel Helena Christensen, who has been appointed as the 'Face of Cellular Goods'. Our ecommerce website has been opened to US consumers to align with Christensen's announcement, and US consumers can now place orders for selected items from the skincare range for shipment to the US.

On 26 September 2022, we announced discussions to acquire Cannaray Brands in a transaction that would constitute a reverse takeover of Cellular Goods. The initial transaction price is to be determined, for which an announcement will be made in due course. These discussions, which are subject to an application being made to the Financial Conduct Authority, are progressing and further updates on the discussions as we move through the FCA approval process will be provided as required.

On the same day, 26 September 2022, Anna Chokina stepped down as Chief Executive Officer and director of the company, and Non-Executive Chairman Darcy Taylor took on the role of Interim Chief Executive Officer.

On 24 October 2022, our online retail distribution expanded with the launch of eight skincare products on Debenhams.com, a UK retailer. We are working closely with Debenhams.com to develop new marketing activities to drive sales.