

Registered number: 10753026

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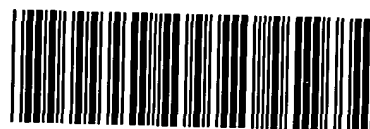
**NERRE THERAPEUTICS HOLDINGS LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2022**

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**NERRE THERAPEUTICS HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Dr I D Dukes Mr A Kay Dr M Kerr Dr S K Mahmood Dr G J Mulder Dr E Prosser Dr J Garcia-Cogorro
<b>Registered number</b>	10753026
<b>Registered office</b>	Stevenage Bioscience Catalyst Incubator Building, Gunnels Wood Road Stevenage Hertfordshire SG1 2FX
<b>Independent auditor</b>	Rawlinson & Hunter Audit LLP Chartered Accountants & Statutory Auditor Eighth Floor 6 New Street Square New Fetter Lane London EC4A 3AQ

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**NERRE THERAPEUTICS HOLDINGS LIMITED**

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## NERRE THERAPEUTICS HOLDINGS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022

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The directors present their report and the financial statements of NeRRe Therapeutics Holdings Limited ("the Company") for the year ended 30 June 2022.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

#### **Principal activity**

The principal activity of the Company during the period was that of a holding company of a wholly owned subsidiary, NeRRe Therapeutics Limited.

#### **Covid-19 and the War in Ukraine**

The Covid-19 pandemic and ongoing conflict in Ukraine has created significant operation and financial pressure on companies worldwide in general. Having considered the contingency plans in place, and having reviewed updated cashflow forecasts, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and hence consider the adoption of the going concern basis in preparing these financial statements continues to be appropriate. The financial statements, therefore, do not include any adjustments which would be necessary if the going concern basis was inappropriate.

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**NERRE THERAPEUTICS HOLDINGS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2022**

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**Directors**

The directors who served during the year were:

Dr I D Dukes  
Mr A Kay  
Dr M Kerr  
Dr S K Mahmood  
Dr G J Mulder  
Dr E Prosser  
Dr J Garcia-Cogorro

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

The auditor, Rawlinson & Hunter Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Small companies note**

4. In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

**Dr M Kerr**  
Director



Date: 23 OCTOBER 2022

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## **NERRE THERAPEUTICS HOLDINGS LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NERRE THERAPEUTICS HOLDINGS LIMITED**

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#### **Opinion**

We have audited the financial statements of Nerre Therapeutics Holdings Limited ("the Company") for the year ended 30 June 2022, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 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.

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## NERRE THERAPEUTICS HOLDINGS LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NERRE THERAPEUTICS HOLDINGS LIMITED (CONTINUED)

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#### Other information

The other information comprises the information included in the Directors' Report and Financial Statements other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Directors' Report and Financial Statements. Our opinion on the 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.

#### Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

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## NERRE THERAPEUTICS HOLDINGS LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NERRE THERAPEUTICS HOLDINGS LIMITED (CONTINUED)

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#### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the 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 financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

Based on our understanding of the Company and the industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulations. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to inflate assets and deflate liabilities of the Company, and management bias in accounting estimates and judgemental areas of the financial statements, such as recoverability of investments in, and loans made to, the subsidiary, and accounting for the preference shares issued for the funding raised. Audit procedures performed by us included:

- discussions with the directors and management involved in the risk and compliance functions including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- the analytical review of the detailed profit and loss account for variances that are either unexpected or considered not to be in accordance with our understanding of the business during the year;
- obtaining and reviewing for completeness a list of entities and persons considered to be related parties (as defined by Financial Reporting Standard 102) and reviewing the ledgers of the Company for previously unreported related party transactions;
- reviewing correspondence and contracts between the Company and its investors, and discussions with the management in relation to their compliance with laws and regulations;
- challenging assumptions made by management in arriving at accounting estimates and judgements, in particular, in relation to the recoverability of investments in, and loans made to the subsidiary, and accounting for the preference shares issued for the funding raised;
- identifying and testing journal entries, in particular, any journal entries posted with unusual account combinations for any indication of fraud and management override; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.



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**NERRE THERAPEUTICS HOLDINGS LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NERRE THERAPEUTICS HOLDINGS  
LIMITED (CONTINUED)**

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Because of the inherent limitations of an audit and the audit procedures described above, there is an unavoidable risk that we will not have detected all irregularities, including some leading to material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remains a higher risk of non-detection of irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

**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.



Yueling Wei (Senior statutory auditor)

for and on behalf of

**Rawlinson & Hunter Audit LLP**

Chartered Accountants

Statutory Auditor

Eighth Floor  
6 New Street Square  
New Fetter Lane  
London  
EC4A 3AQ

Date:

23 October 2022

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NERRE THERAPEUTICS HOLDINGS LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2022

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	Note	2022 £	2021 £
Administrative costs		(22,562)	(18,146)
<b>Operating loss</b>	4	<b>(22,562)</b>	<b>(18,146)</b>
Interest payable and similar expenses	6	(1,229,189)	(1,278,976)
<b>Loss before tax</b>		<b>(1,251,751)</b>	<b>(1,297,122)</b>
<b>Loss for the financial year</b>		<b>(1,251,751)</b>	<b>(1,297,122)</b>
<b>Other comprehensive loss for the year</b>			
Finance loss		-	(489,805)
<b>Other comprehensive loss for the year</b>		-	(489,805)
<b>Total comprehensive loss for the year</b>		<b>(1,251,751)</b>	<b>(1,786,927)</b>

The notes on pages 13 to 24 form part of these financial statements.

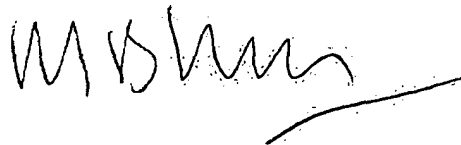
**NERRE THERAPEUTICS HOLDINGS LIMITED**  
**REGISTERED NUMBER: 10753026**

**BALANCE SHEET**  
**AS AT 30 JUNE 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Investments	9	14,825,279	14,825,279
		<u>14,825,279</u>	<u>14,825,279</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	25,625,000	25,625,266
Cash at bank and in hand	11	112,618	219,210
		<u>25,737,618</u>	<u>25,844,476</u>
Creditors: amounts falling due within one year	12	(13,845)	(122,989)
<b>Net current assets</b>		<u>25,723,773</u>	<u>25,721,487</u>
<b>Total assets less current liabilities</b>		<u>40,549,052</u>	<u>40,546,766</u>
Creditors: amounts falling due after more than one year	13	(13,578,199)	(12,349,011)
<b>Net assets</b>		<u><u>26,970,853</u></u>	<u><u>28,197,755</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	3,625	3,414
Share premium account	16	26,645,824	26,621,186
Capital redemption reserve	16	100	100
Other reserves	16	4,825,000	4,825,000
Profit and loss account	16	(4,503,696)	(3,251,945)
		<u><u>26,970,853</u></u>	<u><u>28,197,755</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 OCTOBER 2022.



**Dr M Kerr**  
Director

The notes on pages 13 to 24 form part of these financial statements.

NERRE THERAPEUTICS HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2022

	Called up share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 July 2021	3,414	26,621,186	100	4,825,000	(3,251,945)	28,197,755
<b>Comprehensive loss for the year</b>						
Loss for the year	-	-	-	-	(1,251,751)	(1,251,751)
<b>Total comprehensive loss for the year</b>	-	-	-	-	(1,251,751)	(1,251,751)
Shares premium expenses over accrued in the prior year	-	24,638	-	-	-	24,638
Shares issued in the year	211	-	-	-	-	211
<b>Total transactions with owners</b>	211	24,638	-	-	-	24,849
<b>At 30 June 2022</b>	<b>3,625</b>	<b>26,645,824</b>	<b>100</b>	<b>4,825,000</b>	<b>(4,503,696)</b>	<b>26,970,853</b>

The notes on pages 13 to 24 form part of these financial statements.

NERRE THERAPEUTICS HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2021

	Called up share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 July 2020	1,814	10,091,962	100	4,825,000	(1,465,018)	13,453,858
<b>Comprehensive loss for the year</b>						
Loss for the year	-	-	-	-	(1,297,122)	(1,297,122)
Other comprehensive loss (Note 7)	-	-	-	-	(489,805)	(489,805)
<b>Total comprehensive loss for the year</b>	-	-	-	-	(1,786,927)	(1,786,927)
Shares issued in the year (net)	1,600	16,685,518	-	-	-	16,687,118
Extension of the life of preference shares	-	(156,294)	-	-	-	(156,294)
<b>Total transactions with owners</b>	1,600	16,529,224	-	-	-	16,530,824
<b>At 30 June 2021</b>	<b>3,414</b>	<b>26,621,186</b>	<b>100</b>	<b>4,825,000</b>	<b>(3,251,945)</b>	<b>28,197,755</b>

The notes on pages 13 to 24 form part of these financial statements.

**NERRE THERAPEUTICS HOLDINGS LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2022**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities</b>		
Loss for the financial year	(1,251,751)	(1,297,122)
<b>Adjustments for:</b>		
Interest payable	1,229,188	1,278,976
Decrease/(increase) in debtors	266	(266)
(Decrease)/increase in creditors	(109,144)	3,595
Finance loss	-	(489,805)
<b>Net used in operating activities</b>	<b>(131,441)</b>	<b>(504,622)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of B2 preference shares	-	20,000,000
Proceeds from the issue of ordinary shares	211	-
Non-cashflow items in connection with share premium	-	604,200
Expenses over-accrued/(accrued) for in connection with share issue	24,638	(114,393)
Loans to subsidiary	-	(19,775,000)
<b>Net cash generated from financing activities</b>	<b>24,849</b>	<b>714,807</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(106,592)</b>	<b>210,185</b>
Cash and cash equivalents at beginning of year	219,210	9,025
<b>Cash and cash equivalents at the end of year</b>	<b>112,618</b>	<b>219,210</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	112,618	219,210
	<b>112,618</b>	<b>219,210</b>

The notes on pages 13 to 24 form part of these financial statements.

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**NERRE THERAPEUTICS HOLDINGS LIMITED**

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**ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 30 JUNE 2022**

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	At 1 July 2021 £	Cash flows £	Other non- cash changes £	At 30 June 2022 £
Cash at bank and in hand	219,210	(106,592)	-	112,618
Debt due after 1 year	(12,349,011)	-	(1,229,188)	(13,578,199)
	<u>(12,129,801)</u>	<u>(106,592)</u>	<u>(1,229,188)</u>	<u>(13,465,581)</u>

The notes on pages 13 to 24 form part of these financial statements.

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## NERRE THERAPEUTICS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 1. General information

NeRRe Therapeutics Holdings Limited ("the Company") is a private company limited by shares and incorporated in England & Wales. The address of the registered office is Stevenage Bioscience Catalyst, Incubator Building, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2FX.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company, and the group it heads, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and group are considered eligible for the exemption to prepare consolidated accounts.

The following principal accounting policies have been applied:

##### 2.2 Going concern

At the balance sheet date the Company had net assets of £26,970,853 (2021 - £28,197,755). Included within this are long term creditors of £13,578,199 (2021 - £12,349,011) which will not be payable for at least 12 months from the signing of these financial statements.

The Covid-19 pandemic and ongoing conflict in Ukraine has created significant operation and financial pressure on companies worldwide in general. Having considered the contingency plans in place, the updated cashflow forecasts, and also the recoverability of group debtors, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and hence consider the adoption of the going concern basis in preparing these financial statements continues to be appropriate. The financial statements, therefore, do not include any adjustments which would be necessary if the going concern basis was inappropriate.



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## NERRE THERAPEUTICS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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## 2. Accounting policies (continued)

### 2.3 Foreign currency translation

#### Functional and presentation currency

The Company's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

### 2.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.5 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

### 2.7 Creditors

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

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## NERRE THERAPEUTICS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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## 2. Accounting policies (continued)

### 2.8 Financial Instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted into share capital and the number of shares to be issued does not vary with changes in their fair value, and preferred shares with fixed annual dividends.

The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any direct attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

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## NERRE THERAPEUTICS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 2. Accounting policies (continued)

##### 2.8 Financial instruments (continued)

When a financial liability is extinguished, that is when the obligation is discharged, cancelled or expired, it is removed from the balance sheet. Any difference arising between the carrying amount of the financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### 2.9 Dividends

Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management has to make judgments on how to apply the company's accounting policies and make estimates about the future. The critical judgments that have been made at arriving at the amounts recognised in the financial statements and the key areas of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year, are discussed below:

##### (a) Conversion period of preferred shares

The directors have assessed the conversion period of preferred shares to be June 2024 being an estimate of the likely period over which conversion conditions for the preferred shares could be met. A longer conversion period would result in a higher dividend and interest value being presented as a liability in these financial statements.

##### (b) Applicable discount rate

The directors have assumed an applicable discount rate (interest rate) of 10% per annum at 30 June 2022 to discount the future cash flow relating to the future dividends and interest to the present value. A higher discount rate would result in a lower discounted liability value being presented as a liability. A lower discount rate would result in a higher discounted liability value being presented as a liability in these financial statements.

##### (c) Provision for impairment of fixed asset investments

The company makes an estimate of the recoverable value of fixed asset investments. When assessing impairment of investments, management considers factors including the expected future performance of the investment, expected future cash flows from the investment and the prevailing economic environment, in particular as relates to the market sector and geographical location of the investment's principal operations. The directors do not consider the investment impaired.

##### (d) Provision for related intercompany receivables

The company makes an estimate of the receivables from its subsidiary. When assessing receivables management considers factors including the expected progress of projects of the subsidiary, and their expected future cash flows. The directors have assessed the receivables due from its subsidiary and consider that these are recoverable.

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NERRE THERAPEUTICS HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022

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4. Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	10,000	7,000

5. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2021 - £NIL).

6. Interest payable and similar expenses

	2022 £	2021 £
Preference share dividends	1,229,189	1,278,976
	<u>1,229,189</u>	<u>1,278,976</u>

7. Finance loss

The finance loss for the prior year arose as a result of the extension of the conversion period to June 2024.

8. Taxation

	2022 £	2021 £
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

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NERRE THERAPEUTICS HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022

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8. Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	(1,251,751)	(1,297,122)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(237,833)	(246,453)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	233,544	243,154
Other adjustments	4,289	3,299
<b>Total tax charge for the year</b>	-	-

There were management expenses of £69,554 (2021: £46,982) at the year end for which no deferred tax asset was provided for.

9. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 July 2021	14,825,279
At 30 June 2022	14,825,279

Included above is £5,172,312, which relates to the dividend receivables due from its subsidiary, NeRRe Therapeutics Limited ("NTL") which were acquired following the acquisition of NTL in September 2017.

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**NERRE THERAPEUTICS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

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**9. Fixed asset investments (continued)**

**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
NeRRe Therapeutics Limited	Stevenage Bioscience Catalyst, Incubator Building, Gunnels Wood Road, Stevenage, Hertfordshire, SG1 2FX	Biotechnology company carrying out Pharmaceutical research, development and commercialisation.	Various	100%

NeRRe Therapeutics Holdings Limited acquired 100% of the share capital of NeRRe Therapeutics Limited on 8 September 2017.

The aggregate of the share capital and reserves as at 30 June 2022 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

<b>Name</b>	<b>Aggregate of share capital and reserves</b>	<b>Loss</b>
NeRRe Therapeutics Limited	(10,965,060)	(7,372,277)

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**NERRE THERAPEUTICS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

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**10. Debtors**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Other debtors	<b>25,625,000</b>	<b>25,625,266</b>
	<b>25,625,000</b>	<b>25,625,266</b>

Included within the balance above is £25,625,000 (2021 - £25,625,000) owed by NeRRe Therapeutics Limited, the subsidiary undertaking. This loan is interest free and repayable on two days written notice.

**11. Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	<b>112,618</b>	<b>219,210</b>
	<b>112,618</b>	<b>219,210</b>

**12. Creditors: Amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Trade creditors	-	1,596
Accruals and deferred income	<b>13,845</b>	<b>121,393</b>
	<b>13,845</b>	<b>122,989</b>

**13. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Share premium treated as debt	<b>13,578,199</b>	<b>12,349,011</b>
	<b>13,578,199</b>	<b>12,349,011</b>

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**NERRE THERAPEUTICS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

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**14. Financial instruments**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	<b>112,618</b>	<b>219,210</b>
Fixed assets being equity instruments held at amortised cost	<b>14,825,279</b>	<b>14,825,279</b>
Fixed assets measured at amortised cost	<b>25,625,000</b>	<b>25,625,000</b>
	<b><u>40,562,897</u></b>	<b><u>40,669,489</u></b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(13,592,044)</b>	<b>(12,472,000)</b>

Financial assets measured at fair value through profit or loss comprise cash at bank.

Fixed assets being equity instruments held at amortised cost include fixed asset investments.

Financial assets measured at amortised cost comprise other debtors including loans to subsidiary.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, other creditors and share premium treated as debt.



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**NERRE THERAPEUTICS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

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**15. Share capital**

	2022 £	2021 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
5,511,855 (2021 - 1,380,048) Ordinary shares of £0.00005 each	277	69
993,581 (2021 - 993,581) Junior Preferred shares of £0.00005 each	50	50
3,250,000 (2021 - 3,250,000) Series A Preferred shares of £0.00005 each	163	163
30,636,421 (2021 - 30,636,421) Series B Preferred shares of £0.00005 each	1,532	1,532
32,007,698 (2021 - 32,007,698) Series B2 Preferred shares of £0.00005 each	1,600	1,600
67,356 (2021 - Nil) Deferred shares of £0.00005 each	3	-
	<u>3,625</u>	<u>3,414</u>

During the year employees exercised 3,926,363 share options of £0.00005 per share.

During the year 67,356 ordinary shares were converted into deferred shares on the resignation of an employee.

During the year 272,800 ordinary shares were issued for £0.00005 per share.

**Rights attached to shares**

Each Ordinary share is entitled to one vote. A Preferred, B Preferred, B2 Preferred and Junior Preferred share shall, on a poll, carry one vote per share (on an as converted basis) and is entitled to an annual 8% dividend to be paid in cash on a share sale, liquidation event, listing or conversion.

Deferred shares have no voting rights, nor do they have any rights to income and capital distributions.

**16. Reserves****Share premium account**

The share premium account represents the equity component of the shares above their par value.

**Capital redemption reserve**

This reserve represents the nominal value of the cancelled shares to maintain the share capital.

**Other reserves**

This reserve represents the release of share premium following the cancellation of various classes of shares during the period ended 30 June 2018.

**Profit and loss account**

The profit and loss account represents accumulated comprehensive losses for the year.

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## NERRE THERAPEUTICS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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#### 17. Share option scheme

Details of the share options, both approved EMI and unapproved, as at the year end are set out below:

	<b>Total</b>
Outstanding at the beginning of the year (restated)	<b>4,130,293</b>
Forfeited/surrendered during the year	<b>- 15,237</b>
Granted during the year	<b>3,774,500</b>
Exercised during the year	<b>- 3,926,363</b>
Outstanding at the end of the year	<b>3,963,193</b>
Life of the options	<b>10 years</b>
Exercise price	<b>0.00005</b>

The fair value of the share options granted as at 30 June 2022 is negligible and not accounted for in these financial statements.

# NERRE THERAPEUTICS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 18. Related party transactions

During the year ended 30 June 2022 the following interest payable was accounted for in these financial statements on the issued preference shares and the convertible loans to the following shareholders in the Company:

	2022 £	2021 £
Glaxo Group Limited	32,788	29,808
Advent Life Sciences Fund I LP	250,570	233,551
Advent Life Sciences LLP	10,559	9,842
Fountain Healthcare Partners II LP	209,511	213,084
Forbion Capital Fund III Cooperatief UA	251,415	255,701
Orbimed Private Investments VI, LP	251,415	255,701
UK FF Nominees Limited	104,444	248,766
Advent-Harrington Impact Fund LP	5,448	8,033
Advent Life Sciences Fund III LP	15,929	23,485
ALS III Carry and Co-Invest LP	681	1,005
Columbus Life Sciences Fund III, FCR	96,428	-
	<b>1,229,188</b>	<b>1,278,976</b>

The accrued balances owed to each party as at 30 June 2022 were as follows:

	2022 £	2021 £
Glaxo Group Limited	378,937	344,488
Advent Life Sciences Fund I LP	2,792,258	2,543,400
Advent Life Sciences LLP	117,666	107,179
Fountain Healthcare Partners II LP	2,299,513	2,090,468
Forbion Capital Fund III Cooperatief UA	2,759,417	2,508,561
Orbimed Private Investments VI, LP	2,759,417	2,508,561
UK FF Nominees Limited	1,041,078	946,434
Advent-Harrington Impact Fund LP	59,237	53,852
Advent Life Sciences Fund III LP	173,185	157,441
ALS III Carry and Co-Invest LP	7,408	6,734
Columbus Life Sciences Fund III, FCR	1,190,083	1,081,893
	<b>13,578,199</b>	<b>12,349,011</b>

### 19. Controlling party

The directors consider that there is no ultimate controlling party.