

Company registration number 10828503 (England and Wales)

**RHEON LABS LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**PAGES FOR FILING WITH REGISTRAR**

# RHEON LABS LTD

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# **RHEON LABS LTD**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present their annual report and financial statements for the year ended 31 December 2022.

#### **Principal activities**

The principal activity of the company and group continued to be that of the design and manufacture of strain rate sensitive polymer products.

#### **Events after the reporting date**

Following the year end, the Group's shareholders passed a resolution to approve the allotment of 1,120,448 ordinary shares (£4,000,000 at latest valuation). This funding round is ongoing with the first close raising £2,062,448 through the issue of ordinary shares and convertible loan notes. The directors plan further closes of the funding round during 2023. The first close funding of £2,062,448 is expected to facilitate the ongoing trade and growth of the business until January 2024 and the full £4,000,000 round, when secured, would extend this to December 2024. Please refer to notes 1.4 and 20 in the financial statements for more details.

#### **Results and dividends**

The results for the year are set out on .

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr S Bates  
Mr T Brown  
Prof. P Cawley  
Mr D Fullerton  
Dr D Plant  
Mr J Robinson

#### **Auditor**

Azets Audit Services were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr S Bates  
**Director**

Mr D Fullerton  
**Director**

19 April 2023

# RHEON LABS LTD

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Tangible assets	6		223,425		314,238
<b>Current assets</b>					
Stocks	9	860,511		766,759	
Debtors	10	1,100,913		1,276,763	
Cash at bank and in hand		604,123		4,125,128	
		<u>2,565,547</u>		<u>6,168,650</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(521,567)</u>		<u>(1,308,655)</u>	
<b>Net current assets</b>			<u>2,043,980</u>		<u>4,859,995</u>
<b>Net assets</b>			<u><u>2,267,405</u></u>		<u><u>5,174,233</u></u>
<b>Capital and reserves</b>					
Called up share capital	14		217		217
Share premium account			12,647,926		12,647,926
Other reserves			26,430		17,222
Profit and loss reserves			<u>(10,407,168)</u>		<u>(7,491,132)</u>
<b>Total equity</b>			<u><u>2,267,405</u></u>		<u><u>5,174,233</u></u>

The directors of the group have elected not to include a copy of the profit and loss account within the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 19 April 2023 and are signed on its behalf by:

Mr S Bates  
Director

Mr D Fullerton  
Director

# RHEON LABS LTD

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022	2021
	Notes	£	£
<b>Fixed assets</b>			
Tangible assets	6	221,499	313,627
Investments	7	60,646	1,822
		<u>282,145</u>	<u>315,449</u>
<b>Current assets</b>			
Stocks	9	860,511	766,759
Debtors	10	1,208,471	1,438,244
Cash at bank and in hand		572,240	4,001,182
		<u>2,641,222</u>	<u>6,206,185</u>
<b>Creditors: amounts falling due within one year</b>	11	(553,070)	(1,247,773)
<b>Net current assets</b>		<u>2,088,152</u>	<u>4,958,412</u>
<b>Net assets</b>		<u>2,370,297</u>	<u>5,273,861</u>
<b>Capital and reserves</b>			
Called up share capital	14	217	217
Share premium account		12,647,926	12,647,926
Other reserves		26,430	17,222
Profit and loss reserves		(10,304,276)	(7,391,504)
<b>Total equity</b>		<u>2,370,297</u>	<u>5,273,861</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £2,912,772 (2021 - £1,914,894 loss).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 19 April 2023 and are signed on its behalf by:

Mr S Bates  
Director

Mr D Fullerton  
Director

Company Registration No. 10828503

# RHEON LABS LTD

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2021</b>		217	12,632,402	8,103	(5,582,039)	7,058,683
<b>Year ended 31 December 2021:</b>						
Loss and total comprehensive income for the year		-	-	-	(1,909,093)	(1,909,093)
Issue of share capital	14	-	15,524	-	-	15,524
Share option issue costs		-	-	9,119	-	9,119
<b>Balance at 31 December 2021</b>		217	12,647,926	17,222	(7,491,132)	5,174,233
<b>Year ended 31 December 2022:</b>						
Loss and total comprehensive income for the year		-	-	-	(2,916,036)	(2,916,036)
Share option issue costs		-	-	9,208	-	9,208
<b>Balance at 31 December 2022</b>		217	12,647,926	26,430	(10,407,168)	2,267,405

# RHEON LABS LTD

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2021</b>		217	12,632,402	8,103	(5,476,610)	7,164,112
<b>Year ended 31 December 2021:</b>						
Loss and total comprehensive income for the year		-	-	-	(1,914,894)	(1,914,894)
Issue of share capital	14	-	15,524	-	-	15,524
Share option issue costs		-	-	9,119	-	9,119
<b>Balance at 31 December 2021</b>		217	12,647,926	17,222	(7,391,504)	5,273,861
<b>Year ended 31 December 2022:</b>						
Loss and total comprehensive income for the year		-	-	-	(2,912,772)	(2,912,772)
Share option issue costs		-	-	9,208	-	9,208
<b>Balance at 31 December 2022</b>		217	12,647,926	26,430	(10,304,276)	2,370,297

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **1 Accounting policies**

#### **Company information**

Rheon Labs Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 1 Broughton Street, Battersea, London, England, SW8 3QJ.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in GB pounds, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest GB pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### **1.2 Business combinations**

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

#### **1.3 Basis of consolidation**

The consolidated group financial statements consist of the financial statements of the parent company Rheon Labs Ltd together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Armourgel Medical Limited, Rheon Labs Inc and Rheon Labs Shenzhen Trading Co. Ltd have been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of Armourgel Medical Limited, Rheon Labs Inc and Rheon Labs Shenzhen Trading Co. Ltd from their acquisition and incorporation respectively.



# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.4 Going concern

The financial statements have been prepared on a going concern basis as the Directors have secured significant external funding post year end.

The Group made a loss before tax of £3,589,206 (2021: loss of £2,508,754). The Group raised external funding following the year end of £2,062,448 and on this basis the directors consider it appropriate to prepare the accounts on the going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future. Notwithstanding the confidence of the Directors, until such time as binding funding commitments are received, the ability of the Group to secure additional funding represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. These financial statements do not contain any adjustment that would arise if the financial statements were not drawn up on a going concern basis.

#### 1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

##### Product Revenue

Revenue generated from the sale of products is recognised when all the below is satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer (usually on dispatch of the goods);
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### Other revenue

Other revenue is recognised when the amount of turnover can be measured reliably and it is probable that the company will receive the consideration due under the transaction.

#### 1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

#### 1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	25% straight line
Fixtures and fittings	25% straight line
Computer equipment	33.33% straight line
Laboratory equipment	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.15 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.16 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.17 Share-based payments**

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

For equity-settled share-based payment transactions the Group, in accordance with IFRS 2 'Share-Based Payments' measures their value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instrument granted. The fair value of those equity instruments is measured at the grant date using the black-scholes method. The expense is apportioned over the vesting period of the financial instrument and is based on the number which is expected to vest and the fair value of those financial instruments at the date of the grant. If the equity instruments granted vest immediately, the expense is recognised in full.

#### 1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 1.19 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group'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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Provisions

Provisions have been made for expected credit losses and product warranties. These provisions are estimates and the actual costs and timing of the future cash flows are dependent on future events. Any differences between expectations and the actual future liability will be accounted for in the period when such determination is made.

#### Share based payments

The group recognises share based payments during the period and these estimates require certain judgements and estimates to be made. The Directors' believe that they have made judgements that are further explained in the notes and which are in accordance with UK Generally Accepted Accounting Practice.

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 3 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	13,500	14,250
<b>For other services</b>		
All other non-audit services	8,750	7,050

### 4 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
41	34	39	31

### 5 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	641,968	614,710

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	202,269	194,195
Company pension contributions to defined contribution schemes	13,421	12,840

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 6 Tangible fixed assets

Group	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Laboratory equipment £	Total £
<b>Cost</b>					
At 1 January 2022	179,999	110,711	142,433	248,592	681,735
Additions	7,580	1,257	25,686	25,188	59,711
Disposals	-	-	(26,056)	-	(26,056)
Exchange adjustments	-	-	100	-	100
At 31 December 2022	187,579	111,968	142,163	273,780	715,490
<b>Depreciation and impairment</b>					
At 1 January 2022	48,176	46,598	94,436	178,287	367,497
Depreciation charged in the year	40,195	27,940	36,722	45,067	149,924
Eliminated in respect of disposals	-	-	(25,399)	-	(25,399)
Exchange adjustments	-	-	43	-	43
At 31 December 2022	88,371	74,538	105,802	223,354	492,065
<b>Carrying amount</b>					
At 31 December 2022	99,208	37,430	36,361	50,426	223,425
At 31 December 2021	131,823	64,113	47,997	70,305	314,238
<b>Company</b>					
	Plant and equipment £	Fixtures and fittings £	Computer equipment £	Laboratory equipment £	Total £
<b>Cost</b>					
At 1 January 2022	179,999	110,711	141,587	248,592	680,889
Additions	7,580	1,257	22,913	25,188	56,938
Disposals	-	-	(25,110)	-	(25,110)
At 31 December 2022	187,579	111,968	139,390	273,780	712,717
<b>Depreciation and impairment</b>					
At 1 January 2022	48,176	46,598	94,201	178,287	367,262
Depreciation charged in the year	40,195	27,940	35,864	45,067	149,066
Eliminated in respect of disposals	-	-	(25,110)	-	(25,110)
At 31 December 2022	88,371	74,538	104,955	223,354	491,218
<b>Carrying amount</b>					
At 31 December 2022	99,208	37,430	34,435	50,426	221,499
At 31 December 2021	131,823	64,113	47,386	70,305	313,627



# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 7 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	8	-	-	60,646	1,822

#### Movements in fixed asset investments Company

	Shares in subsidiaries £
<b>Cost or valuation</b>	
At 1 January 2022	1,822
Additions	58,824
At 31 December 2022	60,646
<b>Carrying amount</b>	
At 31 December 2022	60,646
At 31 December 2021	1,822

### 8 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Armourgel Medical Limited	UK	Ordinary	100
Rheon Labs Inc	USA	Ordinary	100
Rheon Labs Shenzhen Trading Co. Ltd	China	Ordinary	100

### 9 Stocks

	Group 2022 £	2021 £	Company 2022 £	2021 £
Finished goods and goods for resale	860,511	766,759	860,511	766,759

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 10 Debtors

	Group 2022	2021	Company 2022	2021
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	99,371	245,127	36,794	228,956
Corporation tax recoverable	673,645	599,661	673,645	599,661
Amounts owed by group undertakings	-	-	182,799	188,962
Other debtors	116,262	194,977	105,216	183,911
Prepayments	183,920	123,496	182,302	123,252
Accrued income	27,715	113,502	27,715	113,502
	<u>1,100,913</u>	<u>1,276,763</u>	<u>1,208,471</u>	<u>1,438,244</u>

### 11 Creditors: amounts falling due within one year

	Group 2022	2021	Company 2022	2021
Notes	£	£	£	£
Deposits from customers	45,168	407,803	45,168	369,930
Trade creditors	115,542	584,377	111,497	582,270
Amounts owed to group undertakings	-	-	59,824	1,000
Other taxation and social security	70,940	63,450	69,756	63,450
Deferred income	74,851	63,413	74,851	63,413
Other creditors	75,564	62,317	58,971	45,278
Accruals	139,502	127,295	133,003	122,432
	<u>521,567</u>	<u>1,308,655</u>	<u>553,070</u>	<u>1,247,773</u>

### 12 Retirement benefit schemes

	2022	2021
	£	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>268,489</u>	<u>221,375</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 13 Share-based payment transactions

On 18 December 2018, 4060 options were issued to the group's directors and staff. These options have a vesting period of three years from the date of grant and an exercise price of £0.01p each.

On 18 January 2020, a further 410 options were issued. These options have a vesting period of three years from the date of grant and an exercise price of £167.08 each.

On 20 November 2020, the company split each £0.01 ordinary share into 100 £0.0001 ordinary shares. As a result the number of options above was revised to 406,000 and 41,000 respectively and the exercise prices revised to £0.0001 and £1.6708 respectively.

On 18 December 2020, a further 25,000 options were issued. These options have a vesting period of one year from the date of grant and an exercise price of \$2.2648 each.

On 10 May 2022, a further 61,500 options were issued. These options have a vesting period of two years from the date of grant and an exercise price of £2.50 each.

During the year, nil (2021: 35,782) share options were called away and nil (2021: 9,218) exercised due to staff leaving the business. As at 31 December 2022 there were 488,500 (2021: 427,000) share options of which 452,625 (2021: 409,063) had vested.

Group and company	Number of share options		Weighted average exercise price	
	2022 Number	2021 Number	2022 £	2021 £
Outstanding at 1 January 2022	427,000	472,000	0.16	0.22
Granted	61,500	-	2.50	-
Forfeited	-	(35,782)	-	0.74
Exercised	-	(9,218)	-	1.67
Outstanding at 31 December 2022	488,500	427,000	0.46	0.16
Exercisable at 31 December 2022	452,625	409,063	0.30	0.09

The options outstanding at 31 December 2022 had an exercise of between £0.0001 and £2.50 per option, and a remaining contractual life of between 7 and 9 years.

	Group 2022 £	2021 £	Company 2022 £	2021 £
<b>Expenses recognised in the year</b>				
Arising from equity settled share based payment transactions	9,208	9,119	9,208	9,119

# RHEON LABS LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 14 Share capital

Group and company	2022	2021	2022	2021
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary Shares of 0.01p each	2,172,116	2,172,116	217	217

On 22 October 2021, 9218 ordinary shares were issued at a price of £1.68 per share.

### 15 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

#### Material uncertainty related to going concern

We draw attention to notes 1.4 and 17 in the financial statements, which indicates that the Group incurred a loss before tax of £3,589,206 during the year ended 31 December 2022. As stated in note 1.4, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. However, as stated in note 17, following the year end, the Group has secured external investment to the sum of £2,062,448, which will be used to enable the Group to continue trading as a going concern. Our opinion is not modified in respect of this matter.

The senior statutory auditor was Richard Monkhouse and the auditor was Azets Audit Services.

### 16 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Within one year	175,000	175,000	175,000	175,000
Between two and five years	111,233	286,233	111,233	286,233
	<u>286,233</u>	<u>461,233</u>	<u>286,233</u>	<u>461,233</u>

### 17 Events after the reporting date

The Directors have reviewed the Group's funding requirements for the short and medium term. Based on these requirements they adopted a plan to raise £4,000,000 during 2023. The Group's shareholders have passed a resolution to approve the allotment of 1,120,448 ordinary shares (£4,000,000 at latest valuation) and the first close of this funding round is complete, raising £2,062,448 through the issue of ordinary shares and convertible loan notes. The directors plan further closes of the funding round during 2023 subject to the maximum allotment approval above. The first close funding of £2,062,448 is expected to facilitate the ongoing trade and growth of the business until January 2024 and the full £4,000,000 round, when secured, would extend this to December 2024.

## **RHEON LABS LTD**

### **NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2022***

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**18 Related party transactions**

The group has taken advantage of the exemption available under FRS 102 Section 33 'Related Party Disclosures' whereby it has not disclosed transactions with wholly owned subsidiaries.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.