

CUMULUS NEUROSCIENCE LIMITED

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 31 DECEMBER 2022



CUMULUS NEUROSCIENCE LIMITED
REGISTERED NUMBER: NI628481

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	4	57,089	36,485
Investments	5	1	-
		57,090	36,485
Current assets			
Debtors: amounts falling due within one year	6	1,028,225	753,835
Cash at bank and in hand		2,235,091	4,311,929
		3,263,316	5,065,764
Creditors: amounts falling due within one year	7	(8,091,194)	(485,379)
Net current (liabilities)/assets		(4,827,878)	4,580,385
Total assets less current liabilities		(4,770,788)	4,616,870
Creditors: amounts falling due after more than one year	8	-	(6,615,047)
Net liabilities		(4,770,788)	(1,998,177)
Capital and reserves			
Called up share capital	9	90	88
Share premium account		376,402	376,402
Capital redemption reserve		7	7
Profit and loss account		(5,147,287)	(2,374,674)
		(4,770,788)	(1,998,177)

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

The Company has opted not to file the profit and loss account in accordance with 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 2 May 2023.

Ruth McKernan
Ruth McKernan (May 2, 2023 14:28 GMT+1)

R M McKernan
 Director

The notes on pages 2 to 7 form part of these financial statements.

CUMULUS NEUROSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Cumulus Neuroscience Limited is a private company, limited by shares and is registered and domiciled in Northern Ireland. The Company's registered office address is The Innovation Centre, Unit 4, Queens Road, Belfast, Northern Ireland, BT3 9DT.

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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

The cash on hand at the date of approval of the financial statements is considered unlikely to be sufficient for the company to continue in operational existence for a period of 12 months after the date of signing these financial statements were the company to decide to continue with the current level of research and development expenditure and not reduce the rate of that expenditure. As noted in the Directors Report the company achieved considerable growth in revenue in the past year and the board considers this momentum will continue.

In prudently undertaking a going concern review, the Directors have reviewed financial projections for a period of at least twelve months following the approval of these financial statements (the review period). The projections contain certain realistic assumptions concerning income received and expenses of the business and conclude the company will generate sufficient cashflows to continue in existence for the review period. However, these assumptions acknowledge the existence of a material uncertainty that, if realised, may cast significant doubt about the company's ability to continue as a going concern.

The board recognises that under reasonably possible stress test scenarios the company may require additional funding. The directors are confident that based on discussions to date with investors and previous fundraisings that the company will be able to raise further funding if required in an appropriate time frame to allow the company to continue with its current rate of expenditure. Hence, the board considers it is appropriate that these financial statements are prepared on a going concern basis. These financial statements do not reflect changes that would result if the financial statements were not prepared on a going concern basis..

CUMULUS NEUROSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue 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.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

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

2.4 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and Loss Account in the same period as the related expenditure.

2.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

CUMULUS NEUROSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.8 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	-	33%
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.11 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 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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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.14 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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.

3. Employees

The average monthly number of employees, including directors, during the year was 40 (2021 - 41).

4. Tangible fixed assets

	Office equipment £
Cost	
At 1 January 2022	136,851
Additions	46,347
At 31 December 2022	183,198
Depreciation	
At 1 January 2022	100,366
Charge for the year on owned assets	25,743
At 31 December 2022	126,109
Net book value	
At 31 December 2022	57,089
At 31 December 2021	36,485

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**NOTES TO THE FINANCIAL STATEMENTS
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5. Investment in subsidiary

On the 22 September 2022, the Company acquired the 100% shareholding of Cūmulus Neuroscience, Inc., a Delaware corporation, for total consideration of \$1.

6. Debtors

	2022 £	2021 £
Trade debtors	430,889	105,249
Other debtors	55,845	74,362
Prepayments and accrued income	138,285	48,799
Grants receivable	403,206	525,425
	1,028,225	753,835

7. Creditors: Amounts falling due within one year

	2022 £	2021 £
Convertible loans and accrued interest	6,971,836	-
Other loans and accrued interest	130,806	-
Trade creditors	126,812	236,069
Other creditors	192,374	174,740
Amounts owed to group undertakings	1	-
Accruals and deferred income	669,365	74,570
	8,091,194	485,379

The Company holds a £6,000,000 convertible loan note instrument which attracts interest at a rate of 8% per annum and is convertible to share capital at a discount of 20% at the next equity investment round. The convertible loan notes have a maturity date of 14 December 2023.

8. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Convertible loans and accrued interest	-	6,491,836
Other loans and accrued interest	-	123,211
	-	6,615,047

CUMULUS NEUROSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
2,247,326 (2021 - 2,190,913) Ordinary shares of £0.00004 each	90	88

On 31 March 2022, 54,426 Ordinary shares with a nominal value of £0.00004 per share were allotted at par value.

On 9 August 2022, 1,987 Ordinary shares with a nominal value of £0.00004 per share were allotted at par value.

10. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2022 was unqualified.

In their report, the auditors emphasised the following matter without qualifying their report:

We draw attention to note 2.2 in the financial statements, which indicates that the cash on hand at the date of approval of the financial statements is considered unlikely to be sufficient for the company to continue in operational existence for a period of 12 months after the date of signing these financial statements. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

The audit report was signed on 2 May 2023 by Peter Hine (Senior Statutory Auditor) on behalf of Frazier & Deeter (UK Audit) LLP.