
PNEUMACARE LIMITED

UNAUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

TUESDAY



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26/09/2017

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COMPANIES HOUSE

PNEUMACARE LIMITED
REGISTERED NUMBER: 06515570

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Tangible assets	5	5,725	12,435
		<u>5,725</u>	<u>12,435</u>
CURRENT ASSETS			
Stocks	6	156,381	85,891
Debtors: amounts falling due within one year	7	40,748	66,047
Cash at bank and in hand		35,128	184,537
		<u>232,257</u>	<u>336,475</u>
Creditors: amounts falling due within one year		<u>(108,451)</u>	<u>(211,380)</u>
NET CURRENT ASSETS		<u>123,806</u>	<u>125,095</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>129,531</u>	<u>137,530</u>
Creditors: amounts falling due after more than one year	8	(3,300,445)	(2,219,856)
NET LIABILITIES		<u><u>(3,170,914)</u></u>	<u><u>(2,082,326)</u></u>
CAPITAL AND RESERVES			
Called up share capital	9	5,930	5,930
Share premium account		3,379,599	3,379,599
Profit and loss account		(6,556,443)	(5,467,855)
		<u><u>(3,170,914)</u></u>	<u><u>(2,082,326)</u></u>

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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.

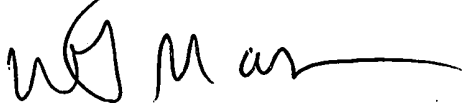
The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

PNEUMACARE LIMITED
REGISTERED NUMBER: 06515570

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2016

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
25/09/17.



Dr W T Mason
Director

The notes on pages 3 to 9 form part of these financial statements.

PNEUMACARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

PneumaCare Limited is a private company limited by shares and incorporated in England. Its registered office is disclosed on the company information page.

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 company incurred a loss for the year. The financial statements have been prepared on the going concern basis on the assumption that the company will continue to receive financial support from its shareholders to enable it to meet its liabilities as they fall due.

2.3 TURNOVER

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover is recognised at the point at which goods are despatched and services provided.

2.4 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Patents	-	5	years
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2.5 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.

PNEUMACARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. ACCOUNTING POLICIES (CONTINUED)

2.5 TANGIBLE FIXED ASSETS (CONTINUED)

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.

The estimated useful lives range as follows:

Fixtures and fittings	- 3 years
Computer equipment	- 3 years

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 the Statement of Comprehensive Income.

2.6 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 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.

2.8 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.

PNEUMACARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONTINUED)

2.9 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 the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.10 FINANCE COSTS

Finance costs are charged to the Statement of Comprehensive Income 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.

2.11 SHARE BASED PAYMENTS

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

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

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

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

PNEUMACARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. ACCOUNTING POLICIES (CONTINUED)

2.12 OPERATING LEASES

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.13 TAXATION

Tax is recognised in the Statement of Comprehensive Income, 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.

2.14 RESEARCH AND DEVELOPMENT

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. EMPLOYEES

The average monthly number of employees, including directors, during the year was 5 (2015 - 5).

PNEUMACARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. INTANGIBLE ASSETS

	Patents £
COST	
At 1 January 2016	16,318
At 31 December 2016	<u>16,318</u>
AMORTISATION	
At 1 January 2016	16,318
At 31 December 2016	<u>16,318</u>
NET BOOK VALUE	
At 31 December 2016	<u>-</u>
At 31 December 2015	<u>-</u>

5. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Total £
COST OR VALUATION			
At 1 January 2016	11,679	18,641	30,320
Additions	99	861	960
At 31 December 2016	<u>11,778</u>	<u>19,502</u>	<u>31,280</u>
DEPRECIATION			
At 1 January 2016	8,266	9,619	17,885
Charge for the year on owned assets	2,574	5,096	7,670
At 31 December 2016	<u>10,840</u>	<u>14,715</u>	<u>25,555</u>
NET BOOK VALUE			
At 31 December 2016	<u>938</u>	<u>4,787</u>	<u>5,725</u>
At 31 December 2015	<u>3,413</u>	<u>9,022</u>	<u>12,435</u>

PNEUMACARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. STOCKS

	2016	2015
	£	£
Raw materials	156,381	85,891
	156,381	85,891

7. DEBTORS

	2016	2015
	£	£
Trade debtors	10,850	16,543
Other debtors	4,862	10,336
Prepayments and accrued income	25,036	39,168
	40,748	66,047

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£	£
Convertible loan	3,300,445	2,219,856
	3,300,445	2,219,856

The company has outstanding loan balances under unsecured loan note agreements drawn down during the periods since October 2013. The total principal amount is £2,610,000 (2015 - £1,910,000) on which interest is accruing at rates between 15% and 18%. The loan notes are convertible at discount rates between 40% and 50% on a new equity funding round and unless are converted, are repayable from December 2016 to October 2017.

PNEUMACARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. SHARE CAPITAL

	2016	2015
	£	£
SHARES CLASSIFIED AS EQUITY		
AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID		
4,978 (2015 - 4,980) A Ordinary shares shares of £0.10 each	498	498
54,322 (2015 - 54,320) Ordinary shares shares of £0.10 each	5,432	5,432
	<hr/>	<hr/>
	5,930	5,930
	<hr/>	<hr/>

The company has granted options to employees over Ordinary shares. At 31 December 2016, 8,526 (2015 - 8,526) options remain outstanding. Of these options, 3,001 (2015 - 3,001) have an exercise price of £16 and 5,525 (2015 - 5,525) have an exercise price of £40.

10. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	£	£
Not later than 1 year	17,500	17,500
Later than 1 year and not later than 5 years	44,479	61,979
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	61,979	79,479
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11. FIRST TIME ADOPTION OF FRS 102

The financial statements have been restated to reflect the fair value of share-based payments for options granted after the transition date of 1 January 2015.