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**PNEUMACARE LIMITED**

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**UNAUDITED**

**FINANCIAL STATEMENTS**

**INFORMATION FOR FILING WITH THE REGISTRAR**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

**PNEUMACARE LIMITED**  
**REGISTERED NUMBER: 06515570**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
Fixed assets		1,085	77
Current assets		202,159	365,424
Creditors: amounts falling due within one year	8	(46,342)	(51,192)
<b>Net current assets</b>		<b>155,817</b>	<b>314,232</b>
<b>Total assets less current liabilities</b>		<b>156,902</b>	<b>314,309</b>
Creditors: amounts falling due after more than one year	9	(203,849)	(4,341,081)
<b>Net liabilities</b>		<b>(46,947)</b>	<b>(4,026,772)</b>
<b>Capital and reserves</b>		<b>(46,947)</b>	<b>(4,026,772)</b>

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 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 by:

.....  
**M Arumugam**  
Director

Date: 9 September 2019

The notes on pages 2 to 10 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**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 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 Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

**2.4 Turnover**

Turnover 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. Turnover 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:

NOTES TO THE FINANCIAL STATEMENTS  
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**2. Accounting policies (continued)**

**2.5 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.6 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.

**2.7 Finance costs**

Finance costs are charged to the Profit and Loss Account 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.

**2.8 Borrowing costs**

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

**2.9 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

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**2. Accounting policies (continued)**

**2.10 Share based payments**

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

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

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

Where equity instruments are granted to persons other than employees, the Profit and Loss Account is charged with fair value of goods and services received.

**2.11 Taxation**

Tax is recognised in the Profit and Loss Account, 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.

**2.12 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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**2.13 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.

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**2. Accounting policies (continued)**

**2.13 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
Office 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 Profit and Loss Account.

**2.14 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.

**2.15 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.

**2.16 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.

**2.17 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 non-puttable ordinary shares.

**3. Employees**

The average monthly number of employees, including directors, during the year was 4 (2017 - 4).

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4. Taxation

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	<u>(33,298)</u>	<u>(143,658)</u>
<b>Deferred tax</b>		
	<u>-</u>	<u>-</u>
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on loss on ordinary activities</b>	<u>(33,298)</u>	<u>(143,658)</u>
<b>Factors affecting tax charge for the year</b>		

The company has made a loss for the the year hence there is no tax change. The tax credit for the year represents the company's research and development tax credit claim.

**Factors that may affect future tax charges**

The company has tax losses of £6,121,801 (2017 - £4,460,507) which have been carried forward to utilise against future trading profits.

At present, it is envisaged that there will continue to be trading losses and research and development tax credit claims in future periods.

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5. Intangible assets

	Patents £
<b>Cost</b>	
At 1 January 2018	16,318
At 31 December 2018	16,318
<b>Amortisation</b>	
At 1 January 2018	16,318
At 31 December 2018	16,318
<b>Net book value</b>	
At 31 December 2018	-
<i>At 31 December 2017</i>	-



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**6. Tangible fixed assets**

	Fixtures and fittings £	Office equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2018	11,569	17,919	29,488
Additions	-	1,234	1,234
At 31 December 2018	11,569	19,153	30,722
<b>Depreciation</b>			
At 1 January 2018	11,514	17,897	29,411
Charge for the year on owned assets	55	171	226
At 31 December 2018	11,569	18,068	29,637
<b>Net book value</b>			
At 31 December 2018	-	1,085	1,085
<b>At 31 December 2017</b>	55	22	77

**7. Debtors**

	2018 £	2017 £
Trade debtors	22,848	10,908
Other debtors	39,665	151,284
Prepayments and accrued income	2,103	7,056
	64,616	169,248

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

	2018 £	2017 £
Trade creditors	33,912	33,462
Other taxation and social security	8,249	7,051
Other creditors	851	379
Accruals and deferred income	3,330	10,300
	<u>46,342</u>	<u>51,192</u>

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

	2018 £	2017 £
Other loans	203,849	4,341,081
	<u>203,849</u>	<u>4,341,081</u>

In April 2018, the company converted outstanding loan balances to share capital. The principal amount was £3,160,000 (2017: £3,160,000) on which interest was accrued at rates between 15% and 8%. Subsequent to this, from May 2018, additional unsecured loan note agreements have been drawn down by the company totalling £200,000 (2017: £Nil) on which interest is accruing at a rate of 5%.

**10. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £4,935 (2017: £4,526). Contributions totalling £851 (2017: £379) were payable to the fund at the balance sheet date and are included in creditors.

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**11. Commitments under operating leases**

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Not later than 1 year	<b>17,500</b>	<b>17,500</b>
Later than 1 year and not later than 5 years	<b>9,479</b>	<b>26,979</b>
	<b><u>26,979</u></b>	<b><u>44,479</u></b>

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.