Quanta Dialysis Technologies Limited
(formerly Quanta Fluid Solutions Limited)

Annual report and financial statements

Registered number 06641134

For the year ended 31 December 2018

Contents

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

Business review

Objectives

Quanta's vision is to be the world's leading provider of innovative haemodialysis solutions for patient-led care. Our mission is to improve survival and quality of life for renal patients by bringing to market affordable, innovative and convenient products and services.

This is centred around the SC+, the Company's proprietary cartridge based, small, powerful, easy to use dialysis system. The Company's short-term objective is to successfully commercialise this unique product and increase the adoption of self-care dialysis modalities whether in the centre or in the home.

Key business strategies

The opportunity is significant, dialysis is one of the largest global healthcare markets, valued at $82 billion. This is set to substantially grow, with the global number of patients requiring haemodialysis set to almost double by 2029 to 6 million, driven by common comorbidities such as hypertension and diabetes.

The current treatment model for haemodialysis requires patients to attend clinics three times per week for three to four hour sessions using larger, more technical and less patient friendly dialysis machines. This treatment model is burdensome for patients and despite the huge costs associated with this approach, outcomes are poor with five year survival worse than most forms of cancer. As patient numbers grow, the current model will not be sustainable without new solutions and additional capacity.

Quanta believes that the answer is to drive the adoption of patient-led care both in-centre and at home.

Quanta's SC+ is small, easy-to-use, and provides an equivalent treatment to a traditional in-centre machine. Compared with traditional in-centre machines, SC+ facilitates patient-led care, enabling:

- Greater flexibility of choice;
- Reduced overall cost;
- Better outcomes through the ability to provide high-dose, high-frequency home haemodialysis;
- Greater patient convenience and quality of life; and
- Allows for greater scalability.

Quanta's commercialisation strategy is to target multiple, high-value market segments where SC+ is highly differentiated. Quanta is currently preparing for commercial launch in its first market, the UK with continental Europe and the United States thereafter.

To ensure that the Company achieves its objectives the Board constantly reviews strategy and performance in the light of external factors such as market conditions and economic outlook.

Risk and uncertainties

As with any start up, there are a number of risks that Quanta has to contend with including: commercialisation ramp-up, adequate recruitment, and production scale. Furthermore, Quanta is presently a pre-commercial company and cannot fund its activities from internally generated cash flow and as the Company grows it will need additional funds. To mitigate this risk the Company is consistently reviewing its fundraising strategy and working with its Board and shareholders to best capitalise the business for the future. Additionally, the Company is focusing its efforts towards the successful commercialisation of SC+.

The Company has reviewed the implications of Brexit to the business. As part of this review, it has evaluated how Brexit may affect its regulatory strategy and CE mark, sales and supply chain. Despite the fact that the full details of Brexit have yet to be enacted, and therefore difficult to ascertain completely, the Company does not expect Brexit to have a material detrimental impact in terms of its business in the foreseeable future.

Strategic report *(continued)*

Development, performance and position

The SC+ system has been granted a CE mark accreditation by its regulatory body, TÜV SÜD.

Additionally the Company has successfully performed its first human test of SC+ and has continued piloting the system at hospitals in Nottingham, London, Manchester, Birmingham and Paris.

Key performance indicators

As Quanta is a pre-commercial dialysis machine technology company, the most relevant measures of performance are volume of in-man treatments and hours of product testing.

As of the end of 2018, over 1,500 pilot treatments had been successfully conducted with no adverse events

The Company has also conducted approximately 70,000 hours of testing of the SC+ system.

We are delighted to have achieved these significant milestones during 2018 and we look forward to building upon this during 2019 as we formally launch in the UK market.

Financial Performance

Expenditure on Research and Development amounted to £6,703,417 representing 54.5% of the total administrative expenditure of £12,294,056. This was a £1,376,444 decrease in Research and Development against 2017 expenditure.

Salary and employment related costs were £5,432,186 *(2017: £6,050,614)*, 44.2% *(2017: 45.4%)* of total administrative expenditure.

Cash at the end of the financial year 2018 was £3,564,631 (*2017:* £6,721,408).

Post Balance Sheet Events

On 27 March 2019 the Company approved a subscription agreement for up to £3,000,000 B Preferred Shares and up to £3,000,000 unsecured convertible loan notes.

Subscriptions of £1.5 million were received in March 2019, £3.5m in April 2019 and a further £1.0 million in May 2019 to complete the aggregate subscription of £6m.

By order of the Board

J E Milad
Director

Tything Road
Alcester
Warwickshire
B49 6EU

23 May 2019

Directors' report

The directors present their directors' report for the year ended 31 December 2018.

Research and development

Expenditure on Research and Development in the period was £6,703,417 *(2017: £8,079,861)* and it was written off to the profit and loss account in the period in which it was incurred in line with IAS 38.

Proposed dividend

The directors do not recommend the payment of an ordinary dividend (*2017: £Nil*).

Directors

The directors who held office during the year were as follows:

JL de Ruiter
RH Strohmenger
JE Milad
A Constantindes
P Sandys
F Granata
M David

In accordance with the Articles of Association none of the directors are required to retire by rotation.

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 1 and 2.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

JE Milad
Director

Tything Road
Alcester
Warwickshire
B49 6EU

23 May 2019

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Quanta Dialysis Technologies Limited

Opinion

We have audited the financial statements of Quanta Dialysis Technologies Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of Profit and Loss, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the company's ability to continue as a going concern is dependent upon a successful fundraising anticipated by the directors to be complete by July 2019. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of long-lived assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to the unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.[1]

The purpose of our audit work and to whom we owe our responsibilities

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.

G A Watts

Greg Watts (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

24 May 2019

Statement of Profit and Loss
for year ended 31 December 2018

	Note	**2018** **£**	2017 £
Other operating income	*3*	**741,392**	989,211
Administrative expenses		**(12,294,056)**	(13,319,991)
Operating loss	*4*	**(11,552,664)**	(12,330,780)
Financial income	*7*	**19,665**	716,250
Financial expenses	*7*	**(2,515,103)**	(1,688,817)
Net financing expense		**(2,495,438)**	(972,567)
Loss before tax		**(14,048,102)**	(13,303,347)
Taxation	*8*	**(140,737)**	(191,146)
Loss for the year, being total comprehensive income for the year		**(14,188,839)**	(13,494,493)

All of the company's operations are derived from continuing activities.

The notes on pages 11 to 26 form part of these financial statements.

Balance Sheet
at 31 December 2018

	Note	2018	2017
		£	£
Non-current assets			
Property, plant and equipment	*9*	**399,728**	580,236
Intangible assets	*10*	**9,167**	19,167
Investments	*11*	**100**	100
		408,995	599,503
Current assets			
Inventories		**-**	12,075
Tax receivable		**797,007**	1,589,592
Trade and other receivables	*12*	**501,338**	474,029
Cash and cash equivalents	*13*	**3,564,631**	6,721,408
		4,862,976	8,797,104
Total assets		**5,271,971**	9,396,607
Current liabilities			
Secured loans	*14*	**3,531,652**	2,935,620
Unsecured loan notes	*14*	**29,081,308**	15,690,000
Trade and other payables	*15*	**1,508,556**	2,155,164
		34,121,516	20,780,784
Non-current liabilities			
Secured Loans	*14*	**1,850,935**	4,859,445
Other payables	*15*	**100**	271,506
		1,851,035	5,130,951
Total liabilities		**35,972,551**	25,911,735
Net liabilities		**(30,700,580)**	(16,515,128)
Equity			
Share capital	*17*	**842,453**	842,453
Share premium		**50,117,461**	50,117,461
Retained earnings		**(81,660,494)**	(67,475,042)
Total equity		**(30,700,580)**	(16,515,128)

The notes on pages 11 to 26 form part of these financial statements.

These financial statements were approved by the board of directors on 23 May 2019 and were signed on its behalf by:

John E Milad
Director

Statement of Changes in Equity

	Share capital	Share Premium	Retained earnings	Total equity
	£	£	£	£
Balance at 1 January 2017	794,650	45,249,902	(53,115,008)	(7,070,456)
Total comprehensive income for the year				
Loss	-	-	(13,494,493)	(13,494,493)
Transactions with owners, recorded directly in equity				
Issue of shares	47,803	-	-	47,803
Equity-settled share based payment transactions	-	-	3,354	3,354
Dividends	-	4,867,559	(868,895)	3,998,664
Total contributions by and distributions to owners	47,803	4,867,559	(865,539)	4,049,821
Balance at 31 December 2017	**842,453**	**50,117,461**	**(67,475,042)**	**(16,515,128)**
Balance at 1 January 2018	842,453	50,117,461	(67,475,042)	(16,515,128)
Total comprehensive income for the year				
Loss	-	-	(14,188,839)	(14,188,839)
Transactions with owners, recorded directly in equity				
Issue of shares	-	-	-	-
Equity-settled share based payment transactions	-	-	3,387	3,387
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	3,387	3,387
Balance at 31 December 2018	**842,453**	**50,117,461**	**(81,660,494)**	**(30,700,580)**

Cash Flow Statement
for year ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Loss for the year		**(14,188,839)**	(13,494,493)
Adjustments for:			
Depreciation, amortisation and impairment	*9*	**327,503**	383,536
Impairment of other intangible assets	*10*	**10,000**	19,576
Foreign exchange (gain)/loss	*7*	**423,711**	(709,319)
Financial income	*7*	**(19,665)**	(6,931)
Financial expense		**2,091,392**	1,688,817
Equity settled share-based payment expenses		**3,385**	3,356
Taxation		**140,737**	191,146
		(11,211,776)	(11,924,312)
Increase in trade and other receivables	*12*	**(27,309)**	(1,683,812)
Decrease in inventories		**12,075**	4,137
Increase / (decrease) in trade and other payables	*15*	**(918,014)**	722,768
		(933,248)	(956,907)
Tax received		**1,317,772**	496,439
Net cash from operating activities		**(10,827,252)**	(12,384,780)
Cash flows from investing activities			
Interest received		**19,665**	6,931
Acquisition of property, plant and equipment	*9*	**(213,632)**	(227,068)
Net cash from investing activities		**(193,967)**	(220,137)
Cash flows from financing activities			
Proceeds from the issue of share capital	*17*	**-**	-
Proceeds from new loan		**-**	-
Proceeds from new loan notes		**12,049,928**	15,690,000
Repayment of borrowings		**(2,175,856)**	(1,805,498)
Interest paid		**(2,009,630)**	(1,106,691)
Net cash from financing activities		**7,864,442**	12,777,811
Net decrease in cash and cash equivalents		**(3,156,777)**	172,894
Cash and cash equivalents at 1 January		**6,721,408**	6,548,514
Cash and cash equivalents at 31 December	*13*	**3,564,631**	6,721,408

Notes
(forming part of the financial statements)

1 Accounting policies

Quanta Dialysis Technologies Limited (formerly Quanta Fluid Solutions Limited) (the "Company") is a private company incorporated, domiciled and registered in the UK. The registered number is 06641134 and the registered address is Tything Road, Alcester, Warwickshire, B49 6EU.

The Company is exempt by virtue of s402 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note2.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

These financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. Cash in hand at the time of signing these financial statements is £3.3 million, which includes the £6 million received post balance sheet date (refer to page 2). The company requires further funding to remain a going concern.

The company is in the process of closing a Series C funding round which is expected to complete by July 2019, raising funds of £25 million. The lead investor and existing shareholders have indicated that they intend to provide £16 million of the above £25m. The directors have prepared projected cash flow information for the period ending twelve months from the date of their approval of these financial statements. These cash flow projections are prepared on the basis that the £25 million fundraise in July 2019 will be successful, and that the company will be able to bring the product to market during this period. A further fundraise will be required in mid to late 2020. The current cash flow projections have been sensitised to incorporate likely possible downside scenarios, including the situation where the company is not able to successfully raise the full £25 million.

Accordingly, the Directors have identified certain mitigating actions that would reduce the level of funding required. Considering both the likely possible downside and mitigating actions together, and the ability and intention of the Directors to implement mitigations should they be required, these forecasts indicate that given the above lead investor and existing shareholder intended funding of £16m the company will have sufficient resources to settle its liabilities for at least twelve months from the date of approval of these financial statements at which time an additional fundraise is expected. However, there is no certainty that the July 2019 or any future fundraise will be successful or that the level of funds raised will be sufficient to cover cash flow requirements.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the company'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. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares. Notes *(continued)*

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- plant, equipment and tools 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Intangible assets and goodwill

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the statement of profit or loss and other comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Development costs incurred in the financial year are not considered to meet the above criteria and therefore they are expensed in the Statement of Profit and Loss in accordance with IAS 38.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- other intangible assets 3 years
- software costs 3 years

1.8 Impairment excluding inventories, and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Notes *(continued)*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably

Share-based payment transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

1.10 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprise interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.12 Government Grants

Government grants are credited to the statement of profit and loss in the same period as the costs to which they relate are incurred.

1.13 New IFRS not yet applied

The following IFRS have been applied in these financial statements however their impact is not material:

- IFRS 9 - Financial Instruments. This standard will be applicable for years commencing on or after 1 January 2018. This standard reduces the number of financial instrument categories to two: amortised cost and fair value. This standard also stipulates that debt instruments may only be classified as at amortised cost when they are payments of principal and interest, so all other debt should be recognised at fair value.

- IFRS 15 - Revenue from Contracts with Customers. Effective for periods beginning on or after 1 January 2018. The Company is assessing the impact of this standard, although it is not expected to have a significant impact on the Company's assets and liabilities.

IFRS 16 will be adopted in the financial year 2019 in accordance with this standard (See note 19 for the anticipated impact).

- IFRS 16 Leases - The main impact of this standard is that a lease contract is considered as a right to use the asset identified in the contract, thus it should be recognised as an asset and the debt for future payments as a liability. Effective for periods beginning on or after 1 January 2019. Pending adoption by the European Union. The Company is assessing the impact of this standard, which is not expected to be significant.

2 Accounting estimates and judgements

Senior Management have considered the key assumptions concerning the future and key sources of estimation and uncertainty at the balance sheet date and do not believe that there are any that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year.

3 Other operating income

	2018	2017
	£	£
Research & Development Tax Credit	**741,392**	989,211
	741,392	989,211

Notes *(continued)*

4 Expenses and auditor's remuneration

Included in loss for the year are the following:

	2018	2017
	£	£
Research and development expensed as incurred	**6,703,417**	8,079,861
Auditor's remuneration		
Audit of these financial statements	**25,000**	25,000

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2018	2017
Production	**81**	79
Administration	**10**	11
	91	90

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£	£
Wages and salaries	**4,489,376**	5,017,313
Share based accrual movement	**3,389**	3,536
Social security costs	**519,040**	624,225
Contribution to defined contribution plans	**420,381**	405,540
	5,432,186	6,050,614

6 Directors' remuneration

	2018	2017
	£	£
Directors' remuneration	**274,700**	356,275
Company contributions to money purchase pension plans	**11,400**	11,400
	286,100	367,675

Remuneration of the highest paid director was £204,700 *(2017: £286,275)* and company pension contributions of £11,400 *(2017: £11,400)* were made to a money purchase scheme on his behalf.

Notes *(continued)*

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1
The number of directors who exercised share options was	**-**	-

7 Finance income and expense

Recognised in profit or loss

	2018	2017
	£	£
Finance income		
Bank interest	**19,665**	6,931
Net foreign exchange gain	**-**	709,319
Total finance income	**19,665**	716,250
Finance expense		
Other interest	**7,326**	3,338
Loan interest	**2,002,304**	1,384,917
Loan costs amortisation	**81,762**	300,562
Net foreign exchange loss	**423,711**	-
Total finance expense	**2,515,103**	1,688,817

8 Taxation

Recognised in the income statement

	2018	2017
	£	£
Current year tax expense	**152,838**	171,061
Adjustments for prior years	**(12,101)**	20,085
Current tax expense	**140,737**	191,146
Total tax expense	**140,737**	191,146

Notes *(continued)*

Reconciliation of effective tax rate

	2018	2017
	£	£
Loss for the year	**(14,188,839)**	(13,494,493)
Total tax expense	**140,737**	191,146
Loss excluding taxation	**(14,048,102)**	(13,303,347)
Tax using the average UK corporation tax rate of 19% (2017: 19.25%)	**(2,669,139)**	(2,560,894)
Reduction in tax rate on deferred tax balances	**264,928**	299,441
Non-deductible expenses	**2,676**	12,521
Research and development tax credit	**152,838**	171,061
Current year losses for which no deferred tax asset was recognised	**2,251,902**	2,265,894
(Over)/under provided in prior years	**(12,101)**	20,085
Other timing differences	**149,633**	(16,962)
Total tax expense	**140,737**	191,146

At 31 December 2018, the Company had unrecognised deferred tax assets of £12,896,011 (2017: £10,638,108)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

9 Property, plant and equipment

	Plant, equipment and tools	Under Construction	Total
	£	£	£
Cost			
Balance at 1 January 2017	2,466,582	24,850	2,491,432
Additions	139,723	88,631	228,354
Disposals	(2,314)	-	(2,314)
Balance at 31 December 2017	2,603,991	113,481	2,717,472
Balance at 1 January 2018	2,603,991	113,481	2,717,472
Additions	211,010	2,622	213,632
Disposals	-	(66,638)	(66.638)
Balance at 31 December 2018	2,815,001	49,465	2,864,466
Depreciation and impairment			
Balance at 1 January 2017	1,765,311	-	1,765,311
Depreciation charge for the year	372,953	-	372,953
Disposals	(1,028)	-	(1,028)
Balance at 31 December 2017	2,137,236	-	2,137,236
Balance at 1 January 2018	2,137,236	-	2,137,236
Depreciation charge for the year	327,503	-	327,503
Disposals	-	-	-
Balance at 31 December 2018	2,464,739	-	2,464,739
Net book value			
At 1 January 2017	701,271	24,850	726,121
At 31 December 2017 and 1 January 2018	466,755	113,481	580,236
At 31 December 2018	**350,262**	**49,465**	**399,728**

Assets Under Construction relate to part-finished mould tools for machine components.

Notes *(continued)*

10 Intangible Assets

	Software costs £	Other Intangible Assets £	Total £
Cost			
Balance at 1 January 2017	19,576	30,000	49,576
Balance at 31 December 2017	19,576	30,000	49,576
Amortisation and impairment			
Balance at 1 January 2018	19,576	10,833	30,409
Amortisation charge for the year		10,000	10,000
Impairment charge for the year		-	-
Balance at 31 December 2018	19,576	20,833	40,409
Net book value			
At 1 January 2018	-	19,167	19,167
At 31 December 2018	**-**	**9,167**	**9,167**

11 Investments in subsidiaries

The Company has the following investments in subsidiaries with a cost and net book value of £100 as at 31 December 2018 *(31 December 2017: £100)*:

	Country of Incorporation	Class of shares held	Ownership 2018	Ownership 2017
Quanta Fluid Solutions Limited (formerly Quanta Dialysis Technologies Ltd)	England	Ordinary	**100%**	100%

The company was dormant throughout both year ended 31 December 2018 and 31 December 2017.

12 Trade and other receivables

	2018 £	2017 £
Other receivables	**825**	825
Prepayments	**500,513**	473,204
	501,338	474,029

Notes *(continued)*

13 Cash and cash equivalents

	2018 £	2017 £
Cash and cash equivalents per balance sheet	**3,564,631**	6,721,408
Cash and cash equivalents per cash flow statements	**3,564,631**	6,721,408

14 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's exposure to interest rate and foreign currency risk, see note 18.

	2018 £	2017 £
Non-current liabilities		
Secured loans	**1,850,935**	4,859,445
Current liabilities		
Secured loans	**3,531,652**	2,935,620
Unsecured convertible loan notes (only convertible to equity)	**27,739,928**	15,690,000
Unsecured convertible loan notes accrued interest	**1,341,380**	
	32,612,960	18,625,620

Terms and debt repayment schedule

Currency	Nominal interest rate	Year of maturity	Face value 2018 £	Carrying amount 2018 £	Face value 2017 £	Carrying amount 2017 £
USD	**14.79%**	**2020**	**4,826,193**	**5,382,587**	7,492,290	7,795,062

Secured Loan

On 31 March 2016, the Company entered into a loan agreement with Hercules Capital Inc. and a debenture was registered in favour of Hercules Capital Inc. The amount drawn down against this loan agreement amounted to $12.5 million. The debenture gives Hercules Capital Inc. rights over the Company's assets in the event that the Company materially defaults on the terms of the loan.

Unsecured convertible loan notes

On 18 May 2018 the aggregate principal amount of all the Notes was increased to £30 million of which £27.74 million were subscribed as at 31 December 2018. These loan notes have 5% accrued interest and will only convert into equity at a future determined valuation (B preferred or C preferred shares). There has been a further Loan Agreement on 27 March 2019, details of which are disclosed in the post balance sheet event note.

Notes *(continued)*

15 Trade and other payables

	2018	2017
	£	£
Current		
Trade payables	**499,625**	932,428
Other taxes and social security	**287,779**	358,814
Non-trade Payables and accrued expenses	**721,152**	863,922
	1,508,556	2,155,164
Non-current		
Other payables	**-**	271,406
Amounts owed to group undertakings	**100**	100
	100	271,506

16 Employee benefit

Defined contribution plans

The Company operates a defined contribution pension plan. In 2018 the facility to sacrifice salary was provided to employees, and the take up is reflected in the increased contributions. The total expense relating to the plan in the current year was £420,381 *(2017: £405,540).*

Share-based payments

Share options are granted to directors and employees. The exercise price of the granted options is £1.00. Options are conditional on the employee completing four years' service (vesting period). The options are exercisable on a Sale exit, Liquidation exit, and Flotation exit; or earlier, and if the Directors at the relevant time agree, within 90 days of the Option Holder ceasing to be an Eligible Employee. The share options have a contractual option term of ten years. Quanta has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		**2017**	
	Average exercise price in £ per share option	**Number of options**	Average exercise price in £ per share option	Number of options
At 1 January	1.00	78,455	1.00	66,717
Granted	1.00	39,750	-	14,100
Forfeited	1.00	(2,243)	1.00	(2,362)
Exercised	-	-	1.00	-
As at 31 December	1.00	115,962	1.00	78,455

Notes *(continued)*

Out of the 115,962 outstanding options *(2017: 78,455)*, 79,331 options *(2017: 65,237)* were exercisable.

No options were exercised in 2018.

The share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-vest	Expiry date	Exercise price in £ per share option	Share Options	
			2018	2017
2010-2014	02/02/2020	1.00	**2,996**	2,996
2010-2014	08/03/2020	1.00	**247**	247
2011-2015	10/07/2021	1.00	**2,964**	2,964
2012-2016	03/07/2022	1.00	**247**	247
2013-2017	16/01/2023	1.00	**974**	974
2014-2018	17/02/2024	1.00	**20,370**	20,370
2014-2018	23/02/2024	1.00	**13,530**	13,530
2014-2018	13/03/2024	1.00	**4,504**	4,504
2014-2018	18/12/2024	1.00	**11,587**	11,656
2015-2019	12/10/2025	1.00	**6,626**	6,769
2015-2019	22/12/2025	1.00	**1,798**	1,798
2017-2021	07/02/2027	1.00	**11,669**	12,400
2018-2022	23/02/2028	1.00	**35,950**	-
2018-2022	11/07/2028	1.00	**2,500**	-
Total			**115,962**	78,455

Notes *(continued)*

17 Capital and reserves

Share capital

	Preference shares of £ 1 each		Ordinary shares	
	2018	2017	**2018**	2017
On issue at 1 January	**735,544**	687,741	**106,909**	106,909
Issued in exchange for dividend carrying shares	-	47,803	-	
On issue at 31 December – fully paid	**735,544**	735,544	**106,909**	106,909

	2018	2017
	£	£
Allotted, called up and fully paid		
"A" Ordinary shares of £1 each	**87,000**	87,000
"B" Ordinary shares of £1 each	**19,909**	19,909
"A" Preferred shares of £1 each	**367,172**	367,172
"B" Preferred shares of £1 each	**368,372**	368,372
	842,453	842,453

The holders of the preferred shares and the holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share for every share of which he is a holder. On a poll vote IMI Vision Limited (the PSC) voting rights are limited to no more than 20% and the balance of their votes are exercisable by shareholders on a prorate basis.

The "A" preferred shares, which are subordinate to the "B" preferred shares, would, if sufficient exit proceeds are available, then receive their issue price. Any further remaining proceeds from an exit would be shared between the holders of the Preferred Shares and the holders of the Ordinary Shares pro rata to the number of Preferred Shares and Ordinary Shares respectively held by them.

During the year, the Company did not issue any ordinary A or B shares.

18 Financial Instruments and related disclosure

Overview

The Company has exposure to the following risks from its use of financial instruments:

a. credit risk; and

b. liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established by the board of directors to identify and analyse the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in activities. In conjunction with these policies, the Company offers training and development to instil a disciplined and constructive control environment in which all employees understand their roles and obligations.

Notes *(continued)*

18 Financial Instruments and related disclosure *(continued)*

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

Other receivables and amounts due from fellow group undertakings

The Company's exposure to credit risk is deemed low because the Company has not yet entered a commercialisation phase and is therefore not yet making sales. At the balance sheet date, there are therefore no significant concentrations of credit risk. The maximum exposure is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meets its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company regularly reviews its cash flow requirements and ensures sufficient funds are available to meet its liabilities as they fall due. See note 1 for information on the Company's going concern position.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2018	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**More than 1 year**
	£	**£**	**£**	**£**	**£**
Non-derivative financial liabilities					
Other interest-bearing loans and borrowings	5,382,587	5,382,587	1,706,508	1,825,144	1,850,935
Unsecured convertible loan notes*	29,081,308	29,081,308	29,081,308	-	-
Trade and other payables	1,508,556	1,508,556	1,508,556	-	-
Other payables	100	100	-	-	100
	35,972,551	35,972,551	32,296,372	1,825,144	1,851,035

*The unsecured convertible loan notes are non-cash items which can only convert into equity (see Note 14).

31 December 2017	Carrying amount	Contractual cash flows	6 months or less	6-12 months	More than 1 year
	£	£	£	£	£
Non-derivative financial liabilities	7,795,065	7,795,065	1,422,833	1,512,787	4,859,445
Other interest-bearing loans and borrowings	15,690,000	15,690,000	15,690,000	-	-
Trade and other payables	2,155,164	2,155,164	2,155,164	-	-
Other payables	271,506	271,506	-	-	271,506
	25,911,735	25,911,735	19,267,997	1,512,787	5,130,951

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Capital management

The capital structure of the Company consists of shareholders' equity. At 31 December 2018, shareholders' equity amounted to (£30,700,580) *(2017: (£16,515,128))*. The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business.

Notes *(continued)*

19 Operating leases

At 31 December 2018, Company had annual commitments under non-cancellable operating leases as follows

	2018	2017
	£	£
Less than one year	**70,499**	87,226
Between one and five years	**50,000**	141,656
	120,499	228,882

During the year £76,858 was recognised as an expense in the Statement of Profit and Loss in respect of operating leases *(2017: £95,225).*

IFRS 16: Leases has not yet been applied, but will be applied for annual reporting periods commencing 1 January 2019.

Short-term and low value exemptions will be applied where applicable.

As at 31 December 2018 the only Operating Lease with over one year remaining was the Company's commercial property lease from IMI Property Investments Limited.

Under the current Operating Lease disclosure £110,000 is repayable on the property lease of which £60,000 is due within one year.

Under IFRS16 applying an incremental borrowing rate of 5% based on a representative property yield rate, a discounted lease liability of £102,494 would be reported.

20 Related parties

Identity of related parties with which the Company has transacted

On 24 October 2017, the Company entered into a 3 year lease agreement with IMI Property Investments Limited for rent of property at an annual rental of £60,000. IMI Property Investments Limited is part of IMI plc that contains IMI Vision Limited who is a significant shareholder (PSC) of the Company holding 25.4% of the issued share capital at 31 December 2017. This annual obligations is included within Operating Leases disclosed within Note 19.

Transactions with key management personnel

Directors of the Company and their immediate relatives control 1.56 % per cent of the voting shares of the Company.

21 Subsequent events

On 27 March 2019 the Company approved a subscription agreement for up to £3,000,000 B Preferred Shares and up to £3,000,000 unsecured convertible loan notes.

Subscriptions of £1.5 million were received in March 2019, £3.5m in April 2019 and a further £1.0 million in May 2019 to complete the aggregate subscription of £6m.

22 Ultimate parent company and parent company of larger group

No other group financial statements include the results of the Company.