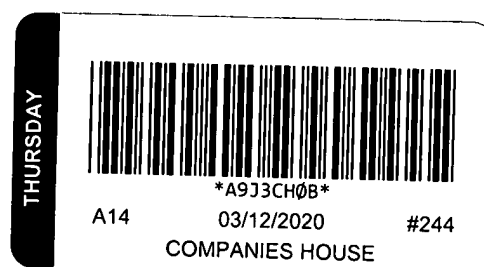


Ventus Medical Limited
Financial Statements
31 December 2019

HAWORTHS LIMITED

Chartered Accountants & Statutory Auditor
The Old Tannery
Eastgate
Accrington
Lancashire
BB5 6PW



Ventus Medical Limited

Financial Statements

Year ended 31 December 2019

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Ventus Medical Limited

Directors' Report

Year ended 31 December 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

Principal activities

The principal activity in the year under review was that of the design and production of a medical device.

Directors

The directors who served the company during the year were as follows:

Dr SK Mahmood	
Mr MJ Dignum	
DR L Lane	(Appointed 8 July 2019)
Mr J Lacour-Gayet	(Appointed 19 December 2019)
Mr DT Newns	(Resigned 13 February 2019)
Prof RB Parekh	(Resigned 8 July 2019)

Other matters

On the 7th August 2019 the company changed its name from Project Paradise Limited to Ventus Medical Limited.

Directors' responsibilities statement

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 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 judgments and accounting estimates that are reasonable and prudent.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Ventus Medical Limited

Directors' Report *(continued)*

Year ended 31 December 2019

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 7 September 2020 and signed on behalf of the board by:



Dr SK Mahmood
Director

Registered office:
Unit 8, The Matchworks
Speke Road
Garston
Liverpool
L19 2RF

Ventus Medical Limited

Independent Auditor's Report to the Members of Ventus Medical Limited

Year ended 31 December 2019

Opinion

We have audited the financial statements of Ventus Medical Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Ventus Medical Limited

Independent Auditor's Report to the Members of Ventus Medical Limited

(continued)

Year ended 31 December 2019

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Ventus Medical Limited

Independent Auditor's Report to the Members of Ventus Medical Limited

(continued)

Year ended 31 December 2019

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Ventus Medical Limited


Independent Auditor's Report to the Members of Ventus Medical Limited (continued)

Year ended 31 December 2019

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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.



Paul Spencer FCCA (Senior Statutory Auditor)

For and on behalf of
Haworths Limited
Chartered Accountants & Statutory Auditor
The Old Tannery
Eastgate
Accrington
Lancashire
BB5 6PW

5 November 2020

Ventus Medical Limited

Statement of Comprehensive Income

Year ended 31 December 2019

	Note	2019 £	2018 £
Administrative expenses		1,422,203	771,596
Operating loss		(1,422,203)	(771,596)
Other interest receivable and similar income		—	3
Interest payable and similar expenses		401,067	184,877
Loss before taxation	6	(1,823,270)	(956,470)
Tax on loss	7	(283,456)	(169,572)
Loss for the financial year and total comprehensive income		<u>(1,539,814)</u>	<u>(786,898)</u>

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

The notes on pages 10 to 15 form part of these financial statements.

Ventus Medical Limited

Statement of Financial Position

31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	8	115,213	113,414
Tangible assets	9	154,279	47,704
		<u>269,492</u>	<u>161,118</u>
Current assets			
Debtors	10	356,539	191,261
Cash at bank and in hand		285,524	96,960
		<u>642,063</u>	<u>288,221</u>
Creditors: amounts falling due within one year	11	<u>1,152,789</u>	<u>657,506</u>
Net current liabilities		<u>510,726</u>	<u>369,285</u>
Total assets less current liabilities		<u>(241,234)</u>	<u>(208,167)</u>
Creditors: amounts falling due after more than one year	12	<u>3,954,082</u>	<u>2,447,382</u>
Net liabilities		<u>(4,195,316)</u>	<u>(2,655,549)</u>
Capital and reserves			
Called up share capital		247	200
Profit and loss account		<u>(4,195,563)</u>	<u>(2,655,749)</u>
Shareholders deficit		<u>(4,195,316)</u>	<u>(2,655,549)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

These financial statements were approved by the board of directors and authorised for issue on 7 September 2020, and are signed on behalf of the board by:



Dr SK Mahmood
Director

Company registration number: 09364884

The notes on pages 10 to 15 form part of these financial statements.

Ventus Medical Limited

Statement of Changes in Equity

Year ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total £
At 1 January 2018	200	(1,868,851)	(1,868,651)
Loss for the year	—	(786,898)	(786,898)
Total comprehensive income for the year	—	(786,898)	(786,898)
At 31 December 2018	200	(2,655,749)	(2,655,549)
Loss for the year	—	(1,539,814)	(1,539,814)
Total comprehensive income for the year	—	(1,539,814)	(1,539,814)
Issue of shares	47	—	47
Total investments by and distributions to owners	47	—	47
At 31 December 2019	247	(4,195,563)	(4,195,316)

The notes on pages 10 to 15 form part of these financial statements.

Ventus Medical Limited

Notes to the Financial Statements

Year ended 31 December 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Unit 8, The Matchworks, Speke Road, Garston, Liverpool, L19 2RF.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

As forecast the company has continued to incur substantial losses in the year to 31 December 2019 as it continues to develop its products. The shareholders have agreed to continue to provide additional financial support to the company. Further investment of £650,000 was received on 11th March 2020. The directors are of the opinion that the company will continue to operate within the facilities currently available. The financial statements do not include any adjustments that would result from a withdrawal of this support.

The Directors have considered the impact of the global Covid-19 pandemic on the ability of the company to continue trading for the foreseeable future. This review has included considering the impact of the pandemic to the date of signing the financial statements and updating financial projections and performing rigorous stress testing on these projections in respect of the company's plans for the future. Based on this review and taken together with the receipt of the company's recent investment round the directors believe that the financial statements have been prepared appropriately on the going concern basis.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Ventus Medical Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Patents, trademarks and licences	- 20% straight line
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If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Ventus Medical Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	33% straight line
Equipment	33% straight line

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Ventus Medical Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

3. Accounting policies (continued)

Financial instruments (continued)

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

4. Auditor's remuneration

	2019	2018
	£	£
Fees payable for the audit of the financial statements	<u>6,650</u>	<u>6,500</u>

5. Employee numbers

The average number of persons employed by the company during the year amounted to 7 (2018: 4).

6. Profit before taxation

Profit before taxation is stated after charging:

	2019	2018
	£	£
Amortisation of intangible assets	38,344	24,235
Depreciation of tangible assets	<u>26,974</u>	<u>19,254</u>

7. Tax on loss

Major components of tax income

	2019	2018
	£	£
Current tax:		
UK current tax income	(283,456)	(169,572)
Tax on loss	<u>(283,456)</u>	<u>(169,572)</u>

Ventus Medical Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2019

7. Tax on loss *(continued)*

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Loss on ordinary activities before taxation	(1,823,270)	(956,470)
Loss on ordinary activities by rate of tax	(346,421)	(181,729)
Effect of expenses not deductible for tax purposes	87,854	38,950
Effect of capital allowances and depreciation	(25,375)	(6,694)
Unused tax losses	283,942	149,473
R&D Tax Credit	(283,456)	(169,572)
Tax on loss	<u>(283,456)</u>	<u>(169,572)</u>

8. Intangible assets

	Patents, trademarks and licences £
Cost	
At 1 January 2019	148,523
Additions	103,128
Disposals	(115,403)
At 31 December 2019	<u>136,248</u>
Amortisation	
At 1 January 2019	35,109
Charge for the year	38,344
Disposals	(52,418)
At 31 December 2019	<u>21,035</u>
Carrying amount	
At 31 December 2019	<u>115,213</u>
At 31 December 2018	<u>113,414</u>

Ventus Medical Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2019

9. Tangible assets

	Plant and machinery £	Equipment £	Total £
Cost			
At 1 January 2019	56,152	11,712	67,864
Additions	87,206	46,343	133,549
At 31 December 2019	143,358	58,055	201,413
Depreciation			
At 1 January 2019	17,795	2,365	20,160
Charge for the year	20,437	6,537	26,974
At 31 December 2019	38,232	8,902	47,134
Carrying amount			
At 31 December 2019	105,126	49,153	154,279
At 31 December 2018	38,357	9,347	47,704

10. Debtors

	2019 £	2018 £
Other debtors	356,539	191,261

11. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	104,263	42,546
Social security and other taxes	52,263	12,042
Other creditors	996,263	602,918
	1,152,789	657,506

12. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Other creditors	3,954,082	2,447,382

Other creditors comprise A ordinary shares which are redeemable, at the original subscription price of £3.9 million, at the request of the shareholders, at any time after May 2026. The shares attract a dividend at the rate of 8% per annum. The accumulated dividends will be paid when reserves are available. Accrued dividends to date of £985,687 are included in creditors due within one year.