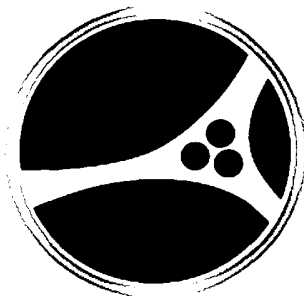


Registered Number 06970743

Cell Therapy Limited
Directors' report and financial statements for the year ended
31 July 2016



CELLTHERAPY
REGENERATIVE MEDICINE FOR LIFE



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Directors' report

The directors present their annual report on the affairs of the group, together with financial statements and auditor's report for the year ended 31 July 2016.

Details of significant events since the balance sheet date are contained in note 23 to the financial statements.

Principal activities and results

The principal activity of the company is the research, development and commercialisation of pharmaceutical products. This includes bringing to market our cells and licensing our intellectual property, for example, the £12.5m license described in Note 4. Since the year end, Good Manufacturing Practice ("GMP") was achieved at the Company's newly established facility in Thessaloniki, Greece (see note 23). Research expenditure amounted to £742,556 (2015: £483,201) and the entity recorded a loss of £3,050,434. (2015: loss of £1,579,323).

Directors

The directors who served in the year were as follows:

Professor Sir Martin Evans
Lord Digby Jones of Birmingham
Mr Ajan Reginald
Mr Mubasher Sheikh
Mr Rhodri Morgan
Mr Anthony Bird
Mr Mark Hughes
Mr David Preston
Dr Sabena Sultan
Mr Mark Beards
Dr Francesco Granata (appointed 23 September 2015, resigned 16 September 2016)
Dr Darrin Disley (appointed 23 September 2015, resigned 12 April 2017)
Mr Chaim Hurvitz (appointed 1 February 2016, resigned 12 April 2017)
Mr Duncan Ribbons (appointed 12 April 2017)
Dr Lee Chapman (appointed 12 April 2017)
Dr Nigel Scott (appointed 12 April 2017)

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/she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' report (Continued)

Political and Charitable contributions

The Company made no political donations or incurred any political expenditure during the year (2015: £Nil). The Company made £15,700 of Charitable donations during the year (2015: £Nil).

Results and dividends

The loss for the year after taxation was £3,050,434 (2015 Loss £1,579,323). This loss was after a taxation charge of £Nil (2015: £Nil). The directors do not propose that a final dividend for the year be paid (2015: £Nil).

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.

Financial instruments

See notes 19 for information on financial instruments.

Small company special provisions

The report of the directors has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

This report was approved by the board on 19 April 2017, taking advantage of special exemptions available to small companies.

Going concern

The directors continue to raise funds from various sources. The company has raised funding of £6.6 m in 2016 from the issue of new equity and received £12.5m of upfront payments for a Japanese Heartcel license. This funding is intended to finance the clinical development of Heartcel™ in Europe. As at the date of this report, the Company has cash balances of £12,030,908 and based on current forecasts the Directors' are satisfied that this enables the Company to continue as a going concern for at least 12 months from the date of approval of these financial statements.

Signed on behalf of the board of directors



David Preston

Director and Company Secretary

The Maynard Centre,
Forest Farm Industrial Estate, Longwood Drive,
Cardiff, Wales, CF14 7YT
19 April 2017

Company Number: 06970743

Statement of directors' responsibilities in respect of the directors' report and the financial statements

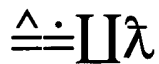
The directors are responsible for preparing the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Cell Therapy Limited

We have audited the financial statements of Cell Therapy Limited for the year ended 31 July 2016 set out on pages 6 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Cell Therapy Limited (continued)

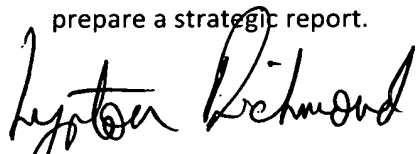
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 take advantage of the small companies exemption from the requirement to prepare a strategic report.



Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

¹⁴
~~28~~
~~28~~ April 2017

For the year to 31 July 2016

	Notes	Year Ended 2016 £	Year Ended 2015 £
Revenue	4	-	-
Cost of Sales		-	-
Gross Profit		-	-
Operating and administrative expenses	5	(3,069,096)	(1,579,323)
Operating Loss before Interest		(3,069,096)	(1,579,323)
Finance Income	8	18,662	-
Operating Loss before taxation		(3,050,434)	(1,579,323)
Taxation	9	-	-
Loss for the year		(3,050,434)	(1,579,323)
Other comprehensive income for the year		-	-
Loss for the year		(3,050,434)	(1,579,323)

All results arise from continuing operations.

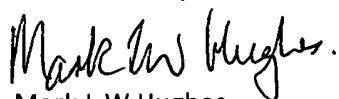
The notes on pages 10 to 33 form part of these financial statements.

Consolidated Statement of Financial Position

	Notes	31/07/2016 £	31/07/2015 £
Non-current assets			
Property, plant and equipment	10	354,374	18,334
Intangible assets	11	407,280	197,703
Investments	12	-	-
		<u>761,654</u>	<u>216,037</u>
Current assets			
Trade and other receivables	13	355,669	43,916
Cash at bank and in hand		15,871,079	1,223,551
		<u>16,226,748</u>	<u>1,267,467</u>
Total Assets		<u>16,988,402</u>	<u>1,483,504</u>
Current liabilities			
Trade and other payables	14	(460,962)	(859,795)
		<u>(460,962)</u>	<u>(859,795)</u>
Non-current liabilities			
Deferred revenue	4	(12,500,000)	-
		<u>(12,500,000)</u>	<u>-</u>
Total liabilities		<u>(12,960,963)</u>	<u>(859,795)</u>
Net assets		<u>4,027,440</u>	<u>623,709</u>
Capital and reserves			
Called up share capital	15	19,882	18,497
Share premium	16	8,863,101	2,499,943
Share-based payment reserve	18	89,993	371
Accumulated loss		(4,945,536)	(1,895,102)
Total Equity		<u>4,027,440</u>	<u>623,709</u>

The notes on pages 10 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on 19 April 2017 and were signed on its behalf by:



Mark L W Hughes
Director and Chief Financial Officer
Company Number: 06970743

The Maynard Centre,
Forest Farm Industrial Estate, Longwood Drive,
Cardiff, Wales, CF14 7YT

Consolidated Statement of Changes in Equity for the periods to 31 July 2016

	Called up share capital £	Share premium account £	Share Based Payment £	Retained earnings £	Total equity £
Balance 1 August 2014	16,955	379,255	-	(315,779)	80,431
Issue of shares (net of issue costs)	1,542	2,120,688	-	-	2,122,230
Share based Payment	-	-	371	-	371
Total comprehensive loss year to 31 July 2015	-	-	-	(1,579,323)	(1,579,323)
Balance 31 July 2015	18,497	2,499,943	371	(1,895,102)	623,709
Issue of shares (net of issue costs)	1,385	6,363,158	-	-	6,364,543
Share based Payment	-	-	89,622	-	89,622
Total comprehensive loss year to 31 July 2016	-	-	-	(3,050,434)	(3,050,434)
Balance 31 July 2016	19,882	8,863,101	89,993	(4,945,536)	4,027,440

The notes on pages 10 to 33 form part of these financial statements.



CELLTHERAPY
THE GENERATIVE MEDICINE FOR LIFE

Cell Therapy Limited

Consolidated Cash Flow Statement

	Notes	2016 £	2015 £
Cash flow from operating activities			
Loss for the Year		(3,050,434)	(1,579,323)
Finance Income	8	(18,662)	-
Operating Loss before Interest		(3,069,096)	(1,579,323)
Depreciation of equipment	10	12,302	8,940
Loss on Disposal of equipment		171	293
Impairment of Intangible Assets		-	21,604
Share Payment Reserve		89,622	371
Increase in Deferred Consideration		12,500,000	-
(Increase)/decrease in receivables		(311,753)	106,447
(Decrease)/increase in non-current liabilities		-	(6,160)
(Decrease)/Increase in trade and other payables		(398,833)	622,101
Net cash (utilised in)/generated from operating activities		8,822,413	(825,727)
Cash flow from investing activities			
Interest received	8	18,662	-
Purchases of property, plant and equipment	10	(348,513)	(5,128)
Purchase of intangible fixed assets	11	(209,577)	(120,698)
Net cash outflow from investing activities		(539,428)	(125,826)
Cash flows from financing activities			
Proceeds from Issue of Shares		6,621,372	2,210,322
Issue Costs		(256,829)	(88,092)
Net cash from financing activities		6,364,543	2,122,230
Net increase/(decrease) in cash and cash equivalents		14,647,528	1,170,677
Cash and cash equivalents at start of year		1,223,551	52,874
Cash and cash equivalents at end of year		15,871,079	1,223,551

The notes on pages 10 to 33 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation

Cell Therapy Limited (the “Company”) is a company incorporated and domiciled in the UK.

This is the first year of consolidation. The comparative figures presented represent the standalone position of Cell Therapy Limited at 31 July 2015.

The group’s 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 note 2.

1.2 Basis of consolidation

As noted in the basis of preparation, this is the first year that Cell Therapy Limited is preparing consolidated accounts. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 July each year. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

1.3 Going concern

The Company’s financial statements show a loss after tax for the year of £3,050,434 (2015: Loss of £1,579,323) and a net asset position of £4,027,439 (2015: £623,709).

1. Accounting policies (continued)

The directors have considered the factors that impact the Company's future development, performance, cash flows and financial position along with Company's current liquidity in forming their opinion on the going concern basis.

The Directors have prepared projections which demonstrate that the cash currently held by the Company, will be sufficient, without further fundraising, to allow the Company to continue as a going concern for at least 12 months from the date of approval of these accounts. Therefore, the directors consider that preparation of accounts on a going concern basis is appropriate.

1.4 Foreign currencies

Transactions denominated 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 reporting 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.

1.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Licence and Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

1.6 Other income including licenses and government grants

License income is recognised in line with performance conditions contained in the license agreement being met. All conditions which could result in amounts potentially being repayable to the licensee must be fulfilled before the income can be recognised.

Government grants are recognised in the profit and loss account once the conditions for their receipt have been complied with, there is reasonable assurance that the grant will be received, and so as to match the income with the related expenditure towards which they are intended to contribute.

1.7 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.

1. Accounting policies (continued)

1.8 Financing income and expenses

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.

1.9 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 reporting 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 reporting 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.

1.10 Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of equipment. The estimated useful lives are as follows:

Office and laboratory equipment:	2 - 5 years
Motor Vehicles	3 years

1. Accounting policies (continued)

1.11 Intangible assets

Intangible assets represent costs relating to the Company's patent applications. These costs are carried at cost until revenue related to the respective patents are generated, following which they will be amortised over the remaining life of the patents, or if not granted, the costs will be fully impaired immediately.

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 income statement as an expense as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the point at which revenue related to the patent starts to be generated.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial 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 is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

1. Accounting policies (continued)

1.12 Share based payments

The company has applied the requirements of IFRS 2 Share-based Payment. Other than for business combinations, the only share based payments of the company are equity settled share options to certain employees. The Black-Scholes Option Model is used to estimate the fair value of each option at grant date. That fair value is charged on a straight line basis as an expense in the income statement over the period that the employee becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

The number of such options is increased annually to reflect best estimates of those expecting to vest (ignoring purely market based conditions) with consequent changes to the expense. Equity is also increased by the proceeds receivable as and when employees choose to exercise their options.

If, prior to the vesting date, the company modifies the terms and conditions on which the equity instruments were granted, and if the fair value of the new instruments is more than the fair value of the old instruments (e.g. by reduction of the exercise price or issuance of additional instruments), the incremental amount will be recognised over the remaining vesting period in a manner similar to the original amount.

1.13 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.

1.14 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.

1. Accounting policies (continued)

1.14 Non-derivative financial instruments (continued)

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 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.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

1.15 Adopted IFRS not yet applied

Standards amendments and interpretations effective in 2016 and adopted by the Company

The following standard were relevant to the company in 2016 but had no material effect:

- IFRS 2 Share-based payment - definition of 'vesting condition';
- IFRS 13 Fair value measurement;
- IAS 24 Related party disclosures.

Interpretations early adopted by the Company

The following standard was relevant to the company and early adopted by the Company in 2016:

- IFRS 15 Revenue from Contracts with Customers

2. Critical accounting judgments and key sources of estimation uncertainty

In application of the Company's accounting policies above, the Directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future payments if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of intangible assets

Determining whether an intangible asset is impaired requires an estimation of the value in use of the asset. It also assumes that patents will be accepted and registered. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. If a patent application is not pursued or rejected an impairment loss will arise.

Principal risks

The Directors consider the principal risks of the business to relate to the successful development, testing and subsequent commercialisation of the stem cell technology which the Company is engaged in exploiting. The nature of this type of scientific work means there are inherent uncertainties attached to it and therefore, there can be no guarantee of commercial success. An additional risk is that if unsuccessful in patent application the carrying cost of patent applications included in intangible assets may also not be recoverable.

In respect of a license agreement entered into with Alliancells, the risk is that either the technology cannot be sufficiently developed for approval and released into the Chinese market or that the cost of achieving approval and release proves to be uncommercial. In such a case, this would only be relevant to future license fee income. There are further details in Note 22.

During the research, development and commercialisation phases, significant funding is required to meet the costs associated with these activities. In the event that existing funding is fully utilised and no new funding becomes available, the Company would be obliged to curtail its operations.

3 Segment analysis

This is currently a small company. For management purposes it is organised as a single business unit with the chief operating decision maker being the Board of Directors.

4 Revenue and Deferred Revenue

An analysis of the company's revenue is as follows:

Sales	2016	2015
	£	£
Up front Licence fee from Daiichi Sankyo	12,500,000	-
Less amount deferred under IFRS 15	(12,500,000)	-
Total Revenue	-	-
Deferred Revenue	2016	2015
	£	£
Arising from the Daiichi Sankyo License Fee	12,500,000	-
	12,500,000	-
Current	-	-
Non Current	12,500,000	-
	12,500,000	-

In April 2016, Cell Therapy Limited granted a Japan license for its innovative cardiac regeneration medicine, Heartcel™ (immuno-modulatory progenitor [iMP] cells) to Daiichi Sankyo. Daiichi Sankyo will undertake all development, regulatory and commercial activities for iMP cells in the territory of Japan only, while CTL retains its worldwide rights outside of Japan as well as global manufacturing responsibilities. Under the terms of the agreement, CTL received a £12.5 million upfront nonrefundable licensing fee and there will be additional milestone payments and royalties.

5 Notes to the loss for the year

Operating loss before taxation is stated after charging / (crediting):

	2016	2015
	£	£
Research and development expenditure	742,556	483,201
Depreciation of property, plant and equipment	12,302	8,940
Hire of premises - operating leases (note 20)	42,016	10,683
Foreign exchange losses/(gains)	7,888	-
<i>Auditors' remuneration</i>	2016	2015
	£	£
Audit of these financial statements	31,800	25,000
Amounts receivable by the company's auditor and its associates in respect of:		
Tax compliance services	4,000	4,000

6. Staff numbers and costs

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

	Number of employees	
	12 Months to 2016	12 Months to 2015
Average number of employees		
Research	11	8
Administrative	11	5
	22	13

The aggregate payroll costs of these persons were as follows:

	£	£
Wages & Salaries	958,076	484,279
Social Security Costs	88,063	5,284
Other Pension Costs	152,647	21,000
Share based payment charge	89,622	371
	1,288,408	510,934

7. Directors' remuneration

	12 Months to 31 July 2016			12 Months to 31 July 2015		
	Basic Pay	Benefits	Total	Basic Pay	Benefits	Total
<i>Executive</i>						
Professor Sir Martin Evans	9,483	-	9,483	-	-	-
Ajan Reginald	165,991	187,946	353,937	107,185	22,184	129,369
Mark Beards	108,894	561	109,455	19,355	13	19,368
Mark Hughes	75,967	561	76,528	26,613	13	26,626
David Preston	50,000	25,561	75,561	26,613	13	26,626
Dr Sabena Sultan	97,500	1,458	98,958	26,613	34	26,647
<i>Non-Executive</i>						
Lord Digby Jones	55,834	-	55,834	23,184	-	23,184
Anthony Bird	14,583	-	14,583	-	-	-
Dr Darrin Disley	-	14,583	14,583	-	-	-
Dr Francesco Granata	14,583	-	14,583	-	-	-
Chaim Hurvitz	14,583	-	14,583	-	-	-
Rhodri Morgan	36,083	-	36,083	6,000	-	6,000
Mubasher Sheikh	-	-	-	-	-	-
Total	643,501	230,670	874,171	235,563	22,257	257,820

8. Finance income

	2016	2015
Interest Income:		
Bank Deposits	<u>18,662</u>	-

Investment revenue earned on financial assets analysed

	2016	2015
Interest Income:		
Bank Deposits	<u>18,662</u>	-

9. Taxation

	12 Months to 2016	12 Months to 2015
Recognised in profit or loss	-	-
<hr/>		
Reconciliation of Effective Tax Rate	2016	2015
	£	£
Profit/(loss) for the Period	(3,050,434)	(1,579,323)
Tax using the UK corporation tax rate of 20% (2015:20%)	(610,087)	(315,865)
Current year losses for which no deferred tax asset was recognised	610,087	315,865
Total tax expense	-	-

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were 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. 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. However, the company expects to benefit from the Patent Box Corporation Tax regime as it will make a profit from exploiting patented inventions. The lower rate of Corporation Tax to be applied is expected to be 10%.

Estimated tax losses for which no deferred tax asset has been recognised amount to approximately £5,790,938 (2015: £2,141,994).

10. Property, Plant & Equipment

	Office and Laboratory Equipment £	Manufacturing Facility £	Motor Vehicles £	Total £
Cost				
At 1 August 2014	28,143	-	-	28,143
Additions	5,128	-	-	5,128
Disposals	(1,623)	-	-	(1,623)
As at 31 July 2015	31,648	-	-	31,648
Additions	9,619	288,744	50,150	348,513
Disposals	(8,643)	-	-	(8,643)
As at 31 July 2016	32,624	288,744	50,150	371,518
Accumulated Depreciation				
At 1 August 2014	5,704	-	-	5,704
Charge in Year	8,940	-	-	8,940
Disposals	(1,330)	-	-	(1,330)
As at 31 July 2015	13,314	-	-	13,314
Charge in Year	6,730	-	5,572	12,302
Disposals	(8,472)	-	-	(8,472)
As at 31 July 2016	11,572	-	5,572	17,144
Carrying Amount				
Company	21,052	-	44,578	65,630
Subsidiaries	-	288,744	-	288,744
Group at 31 July 2016	21,052	288,744	44,578	354,374
Company	18,334	-	-	18,334
Subsidiaries	-	-	-	-
Group at 31 July 2015	18,334	-	-	18,334

11. Intangible assets

Patents and Trademarks	2016	2015
	£	£
Cost		
Cost at start of period	219,307	98,609
Additions	209,577	120,698
Cost at end of period	<u>428,884</u>	<u>219,307</u>
Amortisation and Impairment	£	£
At start of period	21,604	-
Impairment in Period	-	21,604
At end of period	<u>21,604</u>	<u>21,604</u>
Net Book Value (Group and Company)	£	£
NBV at start of year	197,703	98,609
NBV at end of year	407,280	197,703

Intangible assets represent the costs associated with obtaining Patents. They will be amortised over the term of the patent, starting from the grant date.

The value of the Intangible Assets is periodically reviewed to ensure there was no need for impairment. The review as at 31 July 2015 resulted in an impairment of £21,604 recognised in the period to 31 July 2015, on intangible assets that were no longer expected to be used in the business. The review as at 31 July 2016 revealed that there was no need for further impairment.

12. Subsidiaries

The group consists of a parent company, Cell Therapy Limited, incorporated in the UK and a number of subsidiaries held directly and indirectly by Cell Therapy Limited, which operate and are incorporated around the world.

	Country of incorporation	Class of shares held	Status	31/07/2016	31/07/2015
Myocardion Limited	UK	Ordinary	Active	100%	100%
Myocardion Malaysia Snd Bhd	Malaysia	Ordinary	Dormant	100%	-%
Cell Therapy Skincel Limited	UK	Ordinary	Dormant	100%	-%
Cell Therapy Diabetes Limited	UK	Ordinary	Dormant	100%	-%
Cell Therapy Oncology Limited	UK	Ordinary	Dormant	100%	-%
Cell Therapy Tendoncel Limited	UK	Ordinary	Dormant	100%	-%
Heartcel (Japan) Limited	UK	Ordinary	Dormant	100%	-%
Regenety Limited	UK	Ordinary	Dormant	100%	-%
Κυτταρική Θεραπεία Ελλάς Εταιρία Περιορισμένης Ευθύνης (Cell Therapy Hellas)	Greece	Ordinary	Active	100%	-%

The status of each company is noted above. The investment in Myocardion Limited has been fully provided for as at 31 July 2016 the remaining subsidiaries have a carrying value of £5 (2015: £Nil).

13. Trade and other receivables

	2016	2015
	£	£
Prepayments	310,255	32,262
Other Receivables	45,414	11,654
	355,669	43,916

The Directors consider that the carrying amount of prepayments and other receivables is approximately equal to their fair value.

14. Trade and other payables

	2016	2015
	£	£
Current		
Trade payables	209,473	265,730
IP Incentive Scheme	-	22,760
Directors' loans	12,054	-
Cardiff Council loan	-	6,160
Non-trade payables and accrued expenses	239,435	565,145
	460,962	859,795

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Directors' loans were non-interest bearing and have no fixed terms of repayment and therefore have been treated as payable on demand.

15. Called up share capital

	2016	2015
Allotted, called up and fully paid		
Number		
Ordinary A shares of 1p each at start of Period	1,836,859	1,695,500
Ordinary A shares of 1p each allotted in Period	138,560	141,359
Ordinary A shares of 1p each at end of Period	1,975,419	1,836,859
Ordinary B shares of 1p each at start of Period	12,799	-
Ordinary B shares of 1p each allotted in Period	-	12,799
Ordinary B shares of 1p each at end of Period	12,799	12,799
Total	1,988,218	1,849,658
	£	£
Ordinary A shares of 1p each	19,754	18,369
Ordinary B shares of 1p each	128	128
Total	19,882	18,497

The holders of A ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

16. Share Premium

	Share Premium £
Balance on 31 July 2014	379,255
Premium arising on the issue of shares issued in FY 2015	2,208,780
Less expenses of the issue of shares written off	(88,092)
Balance on 31 July 2015	2,499,943
Premium arising on the issue of shares issued in FY 2016	6,619,986
Less expenses of the issue of shares written off	(256,828)
Balance on 31 July 2016	8,863,101

17. Share based payment

Equity-settled share option scheme

The company has a share option scheme for certain employees. 2016 Options are exercisable at £10. 2015 options are exercisable at £1. The vesting period is three years. If the option remains unexercised after a period seven years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The Company has granted share options in existence at the balance sheet date as follows:

Number	Exercise price	Dates exercisable
142,500	£1.00	21 July 2018 to 21 July 2025
150,508	£10.00	25 April 2019 to 25 April 2026

Details of the share options outstanding during the year are as follows:

	2016		2015	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of period	142,500	£1.00	-	-
Granted during the period	150,508	£10.00	142,500	£1.00
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	293,008	£5.62	142,500	£1.00
Exercisable at the end of the period	-	-	-	-

The options were issued at a fair value of £10 (2015: £1). The options outstanding at 31 July 2016 had a weighted average remaining contractual life of approximately 9.4 years (2015: 10 years)

18. Share based payment reserve

Share-based payment reserve	
	£
At 1 August 2014	-
Credit for the year	371
At 31 July 2015	371
Credit for the year	89,622
At 31 July 2016	89,993

Cell Therapy Limited calculated the fair value of stock options using the Black Scholes Option model. The fair value of the stock options is estimated at the grant date using the following assumptions:-

	2016	2015
Weighted average share price	£13.01	£1.00
Weighted average exercise price	£10.00	£1.00
Weighted average expected volatility	29%	29%
Expected life (years)	10	10
Risk free interest rate	0.44%	0.44%
Expected Dividend Yields	0.00%	0.00%

The expected term of stock options has been based on the weighted average of the remaining life of the historical terms of the Cell Therapy Limited stock option plans. The prevailing market share price of £54 (2015: £34) was discounted using published success rates for Phase II to Phase III (2015: Phase I to Phase III success). Expected volatility has been set by reference to the implied volatility of similar shares in the open market (based on Nasdaq Biotech Index 1 year volatility). There was a charge for the year of £ 89,622 (2015: £371).

19. Financial instruments: information on financial risk

The Directors deem that at 31 July 2016 and 2015 the fair value of the Company's financial assets and liabilities were equal to their carrying amount.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. There is currently no bank debt in the business. Thus there is no exposure to any risk from changes in interest rates.

Financial risk management objectives

The main risk to which the Company is exposed is liquidity risk. The Company monitors this risk and will take appropriate action to minimise any exposure.

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. The Company has no trade receivables and details over recoverability of other receivables is provided in note 13. The Company's maximum exposure to credit risk is the balance sheet amount.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows. See note 14 for aging profile of liabilities.

20. Operating lease

Non-cancellable operating lease rentals for land and buildings are payable as follows:

	2016	2015
	£	£
Future minimum lease payments		
Within one year	48,117	6,982
In the second to fifth years inclusive	52,968	1,808
After five years	-	-
	<u>101,085</u>	<u>8,790</u>

During the year £42,016 was recognised as an expense in the income statement in respect of operating leases (2015: £10,683).

21. Related parties

Transactions with key management personnel

At the reporting date, an amount of £12,054 (2015: Nil) was owing to Mr. Reginald, a director of the Company.

As at 31 July 2016, Directors of the Company and their immediate relatives controlled 87% of the voting shares of the Company (2015: 88%). The Directors of the Company are the key management personnel. Their compensation is disclosed in Note 7.

In the year to 31 July 2016, Lord Digby Jones received consultancy fees and expenses through his service company Digby Jones LLP. A total of £55,834 (2015: £32,751) was paid to this company.

In the year to 31 July 2016, Dr Francesco Granata received consultancy fees and expenses through his service company Micromega Limited. A total of £14,583 (2015: £-) was paid to this company.

Additional amounts totaling £22,362 (2015: £56,911) were paid or accrued for Mr. Ajan Reginald during the year, for reimbursed business expenses.

Additional amounts totaling £6,321 (2015: £2,737) were paid or accrued for Mr. Mark Beards during the

year for reimbursed business expenses

Additional amounts totaling £2,167 (2015: £243) were paid or accrued for Mr. Mark Hughes during the year for reimbursed business expenses.

Additional amounts totaling £4,345 (2015: £947) were paid or accrued for Mr. David Preston during the year for reimbursed business expenses.

Additional amounts totaling £1,796 (2015: £3,629) were paid or accrued for Dr Sabena Sultan during the year for reimbursed business expenses

During the year, the company purchased intellectual property at a fair value of £8,068 from Allerna Therapeutics Limited.

Transactions with other related parties

Kathryn Fallon, spouse of Mr. Ajan Reginald, was employed by the Company and was remunerated in the year at a cost of £27,000 (2015: £nil). A balance of £2,722 was owed at the year-end (2015: £nil) in relation to expenses.

Lady Judith Evans, spouse of Professor Sir Martin Evans, was employed by the Company and was remunerated in the year at a cost of £24,000 (2015: £nil). No balance was owed at the year-end (2015: £nil).

Zita Sheikh, spouse of Mr. Mubasher Sheikh, was employed by the Company and was remunerated in the year at a cost of £12,000 (2015: £nil). No balance was owed at the year-end (2015: £nil).

22. Licence granted by CTL to Alliancells Bioscience Co. Ltd

On 20 December 2012, the Company (CTL) granted the right to apply for market admittance to exclusively utilise CTL's autologous progenitor cells of mesodermal lineage cell type technology in greater China only. The license is restricted to autologous use of this single cell type. The amount received for this right to apply for market admittance was USD\$1,682,392 (\$1,869,324 less Chinese withholding tax \$186,932). That is approximately GBP£1,046,279 (£1,162,532 less £116,253). A licence fee of USD\$6,000,000 is payable for use over 11 years, if and when, market admittance is granted. Therefore, due to the conditionality attaching to the second instalment, no income in respect of this is recognised in these financial statements.

23. Events after the reporting date

On 22 December 2016, the company acquired a portfolio of patents regarding a specific siRNA sequence from Coldra Limited. The consideration for the acquisition was a total of £742,583, comprising £267,563 in cash, and £475,020 from 3,770 newly issued 'A' shares in Cell Therapy Limited. The acquisition was free from any liabilities.

In January 2017, the manufacturing site of Cell Therapy Hellas was licensed by the Greek Regulator for GMP manufacturing. The Group is now able to manufacture its products under Good Manufacturing Practice, or GMP, which means such products can be used in clinical trials across Europe, the US and Japan, and, once approved by the European regulator for marketing, can be manufactured for sale from this facility across Europe.

Cell Therapy Limited



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On 25th March 2017, the Celixir plc employee benefit trust purchased 773 B shares from 53 shareholders for a consideration of £78,073.

On 12 April 2017, a share exchange offer was concluded with Celixir plc (PLC). Each shareholder was offered 3 PLC A Shares for each A Share they held in Cell Therapy Limited (CTL) and 3 PLC B Shares for each B Share they held in CTL. The only exception to this was that Ajan Reginald, as the holder of the initial subscriber share in Celixir plc, was offered 1 less PLC A Share to reflect his existing shareholding in Celixir plc. Therefore, from 12 April 2017 CTL became a wholly owned subsidiary of Celixir plc.

Company Statement of Financial Position

		31 July 2016	31 July 2015
	Notes	£	£
Non-current assets			
Property, plant and equipment	10	65,630	18,334
Intangible assets	11	407,280	197,703
Investments	26	5	-
		<u>472,915</u>	<u>216,037</u>
Current assets			
Trade and other receivables	27	134,192	43,916
Cash at bank and in hand		15,867,173	1,223,551
		<u>16,001,365</u>	<u>1,267,467</u>
Non-current Assets			
Intercompany	27	510,222	-
Total Assets		<u>16,984,502</u>	<u>1,483,504</u>
Current liabilities			
Trade and other payables	28	(450,068)	(859,795)
		<u>(450,068)</u>	<u>(859,795)</u>
Non-current liabilities			
Intercompany		(5)	-
Deferred revenue	4	(12,500,000)	-
		<u>(12,500,005)</u>	<u>-</u>
Total liabilities		<u>(12,950,073)</u>	<u>(859,795)</u>
Net assets		<u>4,034,429</u>	<u>623,709</u>
Capital and reserves			
Called up share capital	15	19,882	18,497
Share premium	16	8,863,101	2,499,943
Share-based payment reserve	18	89,993	371
Accumulated loss		(4,938,547)	(1,895,102)
Total Equity		<u>4,034,429</u>	<u>623,709</u>

Company Statement of Changes in Equity for the periods to 31 July 2016

	Called up share capital £	Share premium account £	Share Based Payment £	Retained earnings £	Total equity £
Balance 1 August 2014	16,955	379,255	-	(315,779)	80,431
Issue of shares (net of issue costs)	1,542	2,120,688	-	-	2,122,230
Share based Payment	-	-	371	-	371
Total comprehensive income year to 31 July 2015	-	-	-	(1,579,323)	(1,579,323)
Balance 31 July 2015	18,497	2,499,943	371	(1,895,102)	623,709
Issue of shares (net of issue costs)	1,385	6,363,158	-	-	6,364,543
Share based Payment	-	-	89,622	-	89,622
Total comprehensive income year to 31 July 2016	-	-	-	(3,043,446)	(3,043,446)
Balance 31 July 2016	19,882	8,863,101	89,993	(4,938,548)	4,034,428

24. Significant Accounting Policies

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 July 2016 the company has decided to adopt FRS 101 early and has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the re measurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

25. Profit for the Year

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the year. The company reported a loss for the financial year ended 31 July 2016 of £3,043,446 (2015 loss: £1,579,323).

The auditor's remuneration for audit and other services is disclosed in note 5 to the consolidated financial statements.

26. Investment in subsidiaries

	£
Cost	
At 1 August 2015	100
Additions	5
At 31 July 2016	105
Provisions for impairment	
At 1 August 2015	(100)
At 31 July 2016	(100)
Net book value 1 August 2015	-
Net book value 31 July 2016	5

Details of the Company's subsidiaries at 31 July 2016 and further information about subsidiaries, including disclosures about non-controlling interests, is provided in note 12 to the consolidated financial statements

The investments in subsidiaries are all stated at cost less provision for impairment.

27. Company Trade and other receivables

Current Receivables	2016	2015
	£	£
Prepayments	88,778	32,262
Other Receivables	45,414	11,654
	134,192	43,916
	2016	2015
	£	£
Amounts falling due after one year:		
Amounts owed by group undertakings		
Cell Therapy Hellas	510,222	-
	510,222	-

Amounts owed from Cell Therapy Hellas are repayable by 31 December 2019 and carry interest calculated at the base rate of the Bank of England plus 1% and compounded on an annual basis on 31 July.

28. Company Trade and other payables

	2016	2015
	£	£
Current		
Trade payables	198,579	265,730
IP Incentive Scheme	-	22,760
Directors' loans	12,054	-
Cardiff Council loan	-	6,160
Non-trade payables and accrued expenses	239,435	565,145
	450,068	859,795
Non-current		
Intercompany Creditors	5	-
	5	-

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

29. Share Capital and Share Premium Account

The movements on these items are disclosed in notes 15 and 16 to the consolidated financial statements.