

Registered Number 06970743

Cell Therapy Limited
Directors' report and financial statements for the year ended
31 July 2018



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Directors' report

The directors present their annual report on the affairs of the Company, together with financial statements and auditor's report for the year ended 31 July 2018.

Details of significant events since the balance sheet date are set-out in Note 22 to the financial statements.

Principal activities and results

Cell Therapy Limited is a clinical development stage bio-pharmaceutical company formed in 2009 based on the pioneering work of co-founder, Professor Sir Martin Evans, winner of the 2007 Nobel Prize for Medicine.

The activities of the Company span research, development and commercialisation of cellular medicines.

During 2018, the Company obtained IND (Investigational New Drug) approval from FDA (U.S. Food & Drug Administration) and CTA (Clinical Trial Application) approval from the UK's Medicines and Healthcare products Regulatory Agency (MHRA), for its lead product, Heartcel.

Daiichi Sankyo continues to progress the development of Heartcel for the Japanese market, through the licensing partnership entered into in 2016.

The Company continues to develop its portfolio of patent applications, of which to date a number have been granted.

The directors' have undertaken an initial impact assessment of Brexit and have concluded that this should not have any significant impact on operations.

Directors

The directors who served in the year were as follows:

Professor Sir Martin Evans
Dr Mubasher Sheikh
Mr Ajan Reginald
Celixir plc (appointed 15 January 2019)
Mr David Preston (resigned 15 January 2019)
Dr Sabena Sultan (resigned 15 January 2019)
Dr Lee Chapman (resigned 15 January 2019)
Dr Nigel Scott (resigned 15 January 2019)
Mr Duncan Ribbons (resigned 15 January 2019)
Lord Digby Jones of Birmingham (resigned 26 January 2018)
Mr Anthony Bird (resigned 17 July 2018)
Mr Mark Beards (resigned 31 December 2017)

Directors' report (continued)

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.

Political and charitable contributions

The Company made no political donations or incurred any political expenditure during the year (2017: £nil). The Company made charitable donations of £10,250 during the year (2017: £25,180).

Results and dividends

The loss for the year after taxation was £5,744,098 (2017: £4,768,493). This loss was after a taxation credit of £351,464 (2017: £nil). No dividend for the year has been paid or is proposed (2017: £nil).

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 30 April 2019, taking advantage of special exemptions available to small companies.

Going concern

Notwithstanding net liabilities of £4,491,922 as at 31 July 2018, a loss for the year then ended of £5,744,098, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 14 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its parent company, Celixir plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Celixir plc not seeking repayments of the amounts currently due to the group, which at 31 July 2018, amounted to £2,435,357 and providing additional financial support during that period. Celixir plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As at the date of signing of these financial statements Celixir plc has a cash balance of £3,115,698 to provide financial support. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that the support will continue although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Directors' report (continued)

Signed on behalf of the Board of Directors

A handwritten signature in black ink, appearing to be 'Ajan Reginald', written over a horizontal line.

Ajan Reginald
Director

Cell Therapy Limited
Celixir House
Innovation Way
Stratford Upon Avon CV37 7GZ

Company Number: 06970743

30th April 2019

Cell Therapy Limited

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 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 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 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 and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- the accounts have been prepared in accordance with IFRS 101 Reduced Disclosure Framework; 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 Cell Therapy Limited

Opinion

We have audited the financial statements of Cell Therapy Limited ("the Company") for the year ended 31 July 2018 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity 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 July 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 group 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.

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 the understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation. 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 unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized 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.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of going concern basis of accounting is appropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for at least a year from the date of approval of the financial statements in our evaluation of the directors conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 auditors report is not a guarantee that the company will continue in operation.

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

Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion report has 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
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

Independent auditors report to the members of Cell Therapy Ltd (continued)

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.



Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
30 April 2019

Statement of comprehensive income

Year ended 31 July 2018

	Notes	2018 £	2017 £
Continuing operations			
Other operating income	3	715,376	639,919
Operating expenses	4	(6,855,702)	(5,453,976)
Operating loss		(6,140,326)	(4,814,057)
Finance income	7	50,707	45,564
Finance costs		(5,943)	-
Loss before taxation		(6,095,562)	(4,768,493)
Tax	8	351,464	-
Total comprehensive loss for the year		(5,744,098)	(4,768,493)

Cell Therapy Limited Financial Statements 2018

Balance sheet

31 July 2018

	Notes	2018 £	2017 £
Non-current assets			
Property, plant and equipment	9	612,413	718,284
Intangible assets	10	761,443	347,469
Investments		8,029	7,607
		1,381,885	1,073,360
Current assets			
Other receivables	13	3,412,436	2,955,206
Cash at bank and In hand		5,228,467	9,537,341
		8,640,903	12,492,547
Total assets		10,022,788	13,565,907
Current liabilities			
Trade and other payables	14	(3,294,541)	(453,586)
Deferred income	15	(639,976)	(639,976)
		(3,934,517)	(1,093,562)
Net current assets		4,706,386	11,398,985
Non-current liabilities			
Intercompany	14	(64)	(64)
Deferred income	15	(10,580,129)	(11,220,105)
		(10,580,193)	(11,220,169)
Total liabilities		(14,514,710)	(12,313,731)
Net assets / (liabilities)		(4,491,922)	1,252,176
Equity			
Called up share capital	16	19,965	19,965
Share premium	17	10,454,868	10,454,868
Capital contribution reserve	18	484,384	484,384
Accumulated loss		(15,451,139)	(9,707,041)
Total equity		(4,491,922)	1,252,176

These financial statements were approved by the Board of Directors on 30th April 2019 and were signed on its behalf by:


Ajan Reginald, Director

Statement of changes in equity

Year ended 31 July 2018

	Share Capital	Share Premium Account	Capital Contribution Reserve	Share- based Payment	Retained Earnings	Total Equity
	£	£		£	£	£
Balance at 1 August 2016	19,882	8,863,101	-	89,993	(4,938,548)	4,034,428
Issue of shares (net of issue costs)	83	1,591,767	-	-	-	1,591,850
Equity settled share-based payment	-	-	394,391	-	-	394,391
Group share-based payment	-	-	89,993	(89,993)	-	-
Total comprehensive loss for the year	-	-	-	-	(4,768,493)	(4,768,493)
Balance at 31 July 2017	19,965	10,454,868	484,384	-	(9,707,041)	1,252,176
Total comprehensive loss for the year	-	-	-	-	(5,744,098)	(5,744,098)
Balance at 31 July 2018	19,965	10,454,868	484,384	-	(15,451,139)	(4,491,922)

Notes to the financial statements

1. Accounting policies

Basis of preparation

Cell Therapy Limited (the "Company"), registered number 06970743, is a company incorporated and domiciled in the UK. The address of the registered office is Celixir House, Innovation Way, Stratford-upon-Avon, CV37 7GZ.

Cell Therapy Limited was incorporated on 23 July 2009, and a share for share exchange occurred on 12 April 2017 with the shareholders of Celixir plc, to directly mirror the shareholdings in Company with the new holding company. The shareholders of the former Company were identical in all respects immediately prior to the exchange to those of Celixir plc immediately post exchange. Cell Therapy Limited is a wholly owned subsidiary of Celixir plc. The financial statements for the periods 12 months to 31 July 2017 and 31 July 2018 are solely for the Company.

The Company is exempt by virtue s400 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's financial statements have been prepared and approved by the directors in accordance with Financial Reporting Standard 101 as adopted by the EU ("Adopted IFRSs").

In preparing these statements, the Company applies the recognition, measurement and disclosure requirements of International Reporting Standards as adopted by the EU ("adopted IFRSs"), but makes amendments where necessary in order to comply with companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the translation to FRS 101 from adopted IFRS, the Company has made no measurement and recognition adjustments.

The Company's ultimate parent undertaking Celixir plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Celixir plc are prepared in accordance with International Reporting Standards and are available to the public and may be obtained from Celixir House, Innovation Way, Stratford upon Avon, CV37 7GZ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- disclosures in respect of the compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the Company.

1. Accounting policies (continued)

Basis of preparation (continued)

As the consolidated statements of Celixir plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures

- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*
- IFRS 2 Share Based Payments in respect of company settled share-based payments

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 Going concern

Notwithstanding net liabilities of £4,491,922 as at 31 July 2018, a loss for the year then ended of £5,744,098, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 14 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its parent company, Celixir plc, to meet its liabilities as they fall due for that period. It is important to note that Celixir plc, in providing this support, have prepared working capital projections to June 2020 which demonstrate that new capital of £6m, expected to be received during the period, together with cash currently held by the Group, will be sufficient to allow the Group to provide this continued financial support.

Sufficiently in advance of June 2020, in order for operational objectives to be fulfilled, Cell Therapy and the wider Celixir plc group will need to secure additional sources of finance. To date, the Celixir plc group have demonstrated a good track record of being able to attract such funding for its activities and the directors have the reasonable expectation that the Company and Group will be able to continue to do so. There is, however no guarantee of this and future funding will also be dependent on the Company being able to demonstrate continuing progress in its research, development and commercialization objectives. Given the nature of the business, the directors have reasonable lead time in which to assess the likelihood of additional funding being available and if necessary will have time to scale back the level of operational activity to allow cash to be conserved over a longer period.

Celixir plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As at the date of signing of these financial statements Celixir plc has a cash balance of £3,115,698 to provide financial support.

As with any company placing reliance on other group entities for financial support, the directors

1. Accounting policies (continued)

Going concern (continued)

acknowledge that there can be no certainty that the support will continue although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the rate of exchange ruling at that date, with exchange differences recognised in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

1.4 Revenue recognition

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

Licence and royalty revenue is recognised in accordance with IFRS 15 *Revenue from Contracts with Customers*, on an accrual basis, in line with performance conditions, in accordance with the substance of the relevant agreement (provided it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Time-based royalties 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.

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

1.5 Operating lease payments

Commitments 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.

1.6 Financing income and expenses

Finance income and interest payable is recognised in the statement of comprehensive income as it accrues.

1. Accounting policies (continued)

1.7 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 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.

1.8 Property, plant and equipment

Property, plant and 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 life of each asset on the following bases:

Office and laboratory equipment	2 - 5 years
Motor vehicles	Up to 3 years (with appropriate residual values)
Manufacturing equipment	2 - 5 years
Leasehold improvements	2 - 5 years

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

1.9 Intangible assets

Intangible assets represent costs relating to the Company's patent and trademark applications, specialist software and intangible assets identified in respect of acquired businesses in accordance with IFRS3.

Costs associated with patent applications, provided the patent is expected to be granted in due course, are carried at cost until the first patent in the respective patent family is granted. The costs are then amortised on a straight-line basis over the period to patent expiry. If it becomes likely that a patent will not be granted, a patent is abandoned or an application is rejected, the costs associated with that patent will be fully impaired immediately.

The cost of the Company's trademark applications, previously carried at cost, have been amortised in full in these accounts, and all future costs in relation to trademarks will be expensed as incurred.

1. Accounting policies (continued)

1.9 Intangible assets (continued)

Costs associated with software are carried at cost and amortised over a period of 2-5 years.

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; the Company intends and has the technical ability and sufficient resources to complete development; future economic benefits are probable and if the expenditure attributable to the intangible asset during its development can be reliably measured. 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 expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the Company's intangible assets.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. If the carrying amount of an asset exceeds its estimated recoverable amount an impairment loss is recognised and expensed.

1.10 Inventories

Inventories include raw material inputs, work-in-progress, and finished goods. Inventories are stated at the lower of cost and net realisable value. Cost is measured on a first-in first-out basis and includes direct material cost and expenditure on production or conversion. In the case of manufactured inventories, cost includes an appropriate share of overheads based on normal operating capacity. Consumables used to transform raw materials into finished goods, that are of low individual value, are expensed.

1.11 Financial instruments

(i) Classification of financial instruments issued by the Company

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 on 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 exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

Accounting policies (continued)

1.11 Financial instruments (continued)

To the extent that this definition is not met, the financial investment is classified as a financial liability. Where the financial liability is in the 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.

(ii) 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 do not carry any interest and are stated at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are not interest-bearing and are stated at amortised cost.

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.

1.12 Adopted IFRS not yet applied

Standards, amendments and interpretations effective in 2018 and adopted by the Company

The following standards were relevant to the Company in 2018 but had no material effect:

Amendments to IAS 7 Disclosure Initiative

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

Standards early adopted by the Company

The following standard was relevant to the Company in the year and was early adopted by the Company in 2017: IFRS 15 Revenue from Contracts with Customers

Standards, amendments and interpretations not yet adopted by the Group

At the date on which these financial statements have been approved the following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

1. Accounting policies (continued)

1.12 Adopted IFRS not yet applied (continued)

IFRS 9	Financial Instruments
IFRS 16	Leases
IFRS 17	Insurance Contracts
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IFRIC 23	Uncertainty over Income Tax Treatments
Annual Improvements to IFRS Standards 2014-2016 Cycle	Annual Improvements to IFRS Standards 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions

IFRS 16 will impact on the Company balance sheet through the recognition of 'Right of Use' (RoU) assets and liabilities for leases currently classified as operating leases. Operating lease costs, currently included in operating expenses, will be replaced by higher interest and depreciation charges. Changes are not expected to have a material impact on profit/(loss) after tax. There will be no change in the total amount of cash outflows from lease payments, but the payments will be presented under financing activities whereas they are currently included within operational outflows.

The Company's operating lease commitments as at 31 July 2018 (see Note 19) of £629,722 are the best indicator of the estimated size of the RoU assets and lease liabilities likely to be recognised on balance sheet at transition, before taking into account reductions in these commitments and any new leases entered into between the balance sheet date and implementation of the new standard. The Company intends to adopt this standard for the year ended 31 July 2020, in line with its mandatory effective date.

The directors do not expect that the adoption of the other standards, amendments and interpretations listed above will have a material impact on the financial statements of the Company in future years.

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 in 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.

2. Critical accounting judgments and key sources of estimation uncertainty (continued)

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 other intangible assets

Determining whether an intangible asset is impaired requires an estimation of the value in use of the asset. 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. In relation to patents, it is assumed that patents applied for will be granted in due course unless the Company has evidence to suggest otherwise. If a patent application is not pursued or rejected an impairment loss will arise.

Revenue recognition

The deferred income arising from the 2016 upfront licence payment from Daiichi Sankyo is being recognised over a period of 20 years, this being the expected life of the Heartcel patent for Heartcel, which was granted in 2017. This assumption is based on both the patent and license agreement remaining in force over this period. Should either of these assumptions need to be changed, the period over which the deferred income is recognised may need to be changed.

Principal risks

The directors consider the principal risks of the business to relate to the successful development, testing and subsequent commercialisation of the technologies which the Company is engaged in exploiting. There are significant inherent uncertainties involved in this type of scientific work and there can be no guarantee of commercial success. If patent applications are not successful, the carrying cost of patent applications included in intangible assets may not be recoverable.

In respect of the license agreement entered into with Daiichi Sankyo, there is a risk is that either Heartcel cannot be successfully developed for approval in the Japanese market or that the cost of achieving approval proves to be uncommercial. Such a scenario would only impact potential future licence fee income, none of which is recognised in the financial statements.

The continuing development and commercialisation of the Company's products and pipe line requires significant funding. 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. Other operating income

	2018 £	2017 £
Daiichi Sankyo upfront licence fee recognised in year	639,976	639,919
Other income	75,400	-
	715,376	639,919

Cell Therapy Limited Notes to Financial Statements 2018

Notes (continued)

4. Operating expenses

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

	2018	2017
	£	£
Research and development expenditure	3,622,038	2,576,099
Depreciation of property, plant and equipment	277,404	70,394
Impairment of intangible fixed assets	150,238	-
Amortisation of intangible assets	32,120	1,307
Operating lease rentals (note 19)	176,305	94,780
Foreign exchange (gains)/losses	8,077	(83,749)

Auditors' remuneration:

Amounts receivable by the Company's auditor and its associates in respect of:

Tax compliance services	11,000	25,180
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The remuneration of the auditor for the provision of statutory audit services has been met by the parent company.

5. Employees

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

	2018	2017
Average number of employees:		
Research	21	14
Administrative	15	18
	36	32

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	2,779,288	2,418,907
Social security costs	251,518	254,956
Other pension costs	120,071	153,772
Share-based payment charge	-	394,391
	3,150,877	3,222,026

Cell Therapy Limited Notes to Financial Statements 2018

Notes (continued)

6. Directors' remuneration

	2018			2017		
	Basic pay	Benefits	Total	Basic pay	Benefits	Total
	£	£	£	£	£	£
Professor Sir Martin Evans ¹	100,000	-	100,000	20,310	105,030	125,340
Ajan Reginald ¹	400,000	39,120	439,120	381,225	252,308	633,533
Dr Mubasher Sheikh ²	-	-	-	-	-	-
David Preston	100,000	55,884	155,884	70,833	51,967	122,800
Dr Sabena Sultan	150,000	6,652	156,652	170,833	51,912	222,745
Dr Nigel Scott	150,000	3,000	153,000	107,218	1,750	108,968
Duncan Ribbons	150,000	6,765	156,765	110,321	1,904	112,225
Dr Lee Chapman	150,000	4,395	154,395	-	-	-
Anthony Bird	30,330	-	30,330	22,917	27,607	50,524
Lord Digby Jones ¹	107,750	-	107,750	97,500	-	97,500
Mark Beards ¹	62,500	2,211	64,711	150,000	2,195	152,195
Rhodri Morgan	-	-	-	20,833	-	20,833
Mark Hughes	-	-	-	100,000	1,639	101,639
Chaim Hurvitz ¹	-	-	-	27,083	-	27,083
Dr Darrin Disley ¹	-	-	-	25,000	-	25,000
Dr Francesco Granata	-	-	-	12,083	-	12,083
Total	1,400,580	118,027	1,518,607	1,316,156	496,312	1,812,468

¹ Director of Celixir plc. ² Dr Mubasher Sheikh was not remunerated.

7. Finance income

	2018	2017
	£	£
Interest on bank deposits	32,944	34,327
Interest on loans	17,763	11,237
	50,707	45,564

8. Taxation

	2018	2017
	£	£
Research and development tax credit	351,464	-

Cell Therapy Limited Notes to Financial Statements 2018

Notes (continued)

Reconciliation of effective tax rate

	2018 £	2017 £
Loss for the year	(6,095,562)	(4,768,493)
Tax using the UK corporation tax rate of 19% (2017: 20%)	(1,158,157)	(953,699)
Current year losses for which no deferred tax asset was recognised	1,158,157	953,699
Research and development tax credit	(351,464)	-
	(351,464)	-

Estimated tax losses for which no deferred tax asset has been recognised:

	£
Tax losses as at 1 August 2017	(11,253,787)
Tax losses surrendered	2,423,888
Loss for the year	(6,095,562)
Add back entertaining	15,982
Estimated tax losses as at 31 July 2018	(14,909,479)

The current UK corporation tax rate is 19% which is due to fall to 17% from April 2020. This will reduce the Company's future current tax charge accordingly.

Notes(continued)

9. Property, plant and equipment

	Leasehold Improve- ments £	Office and Laboratory Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
As at 1 August 2016	-	32,624	-	50,150	82,774
Additions	11,228	163,773	13,017	203,240	391,258
Disposals	-	-	-	(61,580)	(61,580)
As at 31 July 2017	11,228	196,397	13,017	191,810	412,452
Additions	484,126	130,251	1,186	-	615,563
Disposals	-	-	-	(105,430)	(105,430)
As at 31 Jul 2018	495,354	326,648	14,203	86,380	922,585
Accumulated depreciation					
As at 1 August 2016	-	11,572	-	5,572	17,144
Charge in year	-	15,400	432	54,562	70,394
Disposals	-	-	-	(22,555)	(22,555)
As at 31 July 2017	-	26,972	432	37,579	64,983
Charge in year	99,085	92,917	4,386	81,016	277,404
Disposals	-	-	-	(32,215)	(32,215)
As at 31 Jul 2018	99,085	119,889	4,818	86,380	310,172
Carrying amount					
At 31 July 2018	396,269	206,759	9,385	-	612,413
At 31 July 2017	11,228	169,425	12,585	154,231	347,469

Cell Therapy Limited Notes to Financial Statements 2018

Notes (continued)

10. Intangible assets

	Patents and Trademarks	Software	Total
	£	£	£
Cost			
As at 1 August 2016	428,884	-	428,884
Additions	307,458	4,853	312,311
As at 31 July 2017	736,342	4,853	741,195
Additions	225,517		225,517
As at 31 July 2018	961,859	4,853	966,712
Amortisation and impairment			
As at 1 August 2016	21,604	-	21,604
Amortisation for the year	-	1,307	1,307
As at 31 July 2017	21,604	1,307	22,911
Amortisation for the year	30,538	1,582	32,120
Impairment charge	148,274	1,964	150,238
As at 31 July 2018	200,416	4,853	205,269
Carrying amount			
As at 31 July 2018	761,443	-	761,443
As at 31 July 2017	714,738	3,546	718,284

Intangible assets represent the costs associated with obtaining patents and specialist software acquired. Patents are amortised over the term of the patent, starting from the grant date. Software is amortised over 2-5 years.

Intangible assets are periodically reviewed for impairment. For the year ended 31 July 2018, an impairment charge of £150,238 has been recognised for certain minor patent applications and trademarks which the Company does not intend to progress/use. This has no impact on the Company's principle patent applications which have started to be granted.

11. Inventories

As at 31 July 2018 no inventories were carried in the balance sheet (2017: £nil).

Cell Therapy Limited Notes to Financial Statements 2018

Notes (continued)

12. Subsidiaries

All interests in the companies listed below are held by Cell Therapy Limited. All interests are held in ordinary share capital.

Name of legal entity	Country of incorporation	Status	% held
Κυτταρική Θεραπεία Ελλάς Εταιρία Περιορισμένης Ευθύνης ^b (Cell Therapy Hellas)	Greece	Active	100%
SIRNA Limited ^a (previously Regenety Limited)	UK	Dormant	100%
Cell Therapy Oncology Limited ^a	UK	Dormant	100%
Cell Therapy Skincel Limited ^a	UK	Dormant	100%
Cell Therapy Diabetes Limited ^a	UK	Dormant	100%
Cell Therapy Tendoncel Limited ^a	UK	Dormant	100%
Heartcel CABG Limited ^a	UK	Dormant	100%
Bioreactor Corporation Limited ^a	UK	Dormant	100%
Myocardion Limited ^a	UK	Dormant	100%
Celixir (Singapore) Pte Ltd ^d	Singapore	Dormant	100%

Registered addresses:

- Celixir House, Innovation Way, Stratford Upon Avon, CV37 7GZ, UK
- 6th KLM Thermis-Charilaou, 57001, DROSIA 1B, Greece
- 160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA
- 1 North Bridge Road #10-09, High Street Centre, Singapore

13. Other receivables

	2018 £	2017 £
Less than one year		
Owed by subsidiary undertakings	1,235,626	1,109,767
Director's loan	-	1,386
Corporation tax	351,464	-
Prepayments	222,544	262,240
Other	63,989	157,323
	1,873,623	1,530,716
More than one year		
Owed by subsidiary undertakings	1,538,813	1,424,490
	3,412,436	2,955,206

Cell Therapy Limited Notes to Financial Statements 2018

Notes (continued)

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

14. Trade and other payables

	2018 £	2017 £
Less than one year		
Trade payables	308,629	174,000
Non-trade payables and accrued expenses	550,619	279,586
Intercompany	2,435,293	-
	3,294,541	453,586
More than one year		
Intercompany	64	64
	64	64

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and operating costs. The directors consider that the carrying amount of trade payables is approximately equal to their fair value.

15. Deferred income

Daiichi Sankyo upfront licence fee	2018 £	2017 £
At start of year	11,860,081	12,500,000
Recognised in year	(639,976)	(639,919)
At end of year	11,220,105	11,860,081
Current	639,976	639,976
Non-current	10,580,129	11,220,105
	11,220,105	11,860,081

In April 2016, the Company granted a Japan licence 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, with the Company retaining worldwide rights outside of Japan, together with global manufacturing responsibilities. Under the terms of the agreement, the Company received a £12.5 million upfront non-refundable licensing fee and there are potential additional milestone payments and royalties.

The upfront licensing fee is recognised in accordance with IFRS 15. An analysis of the material obligations of the Company within the license agreement was conducted, and an estimate of the proportion of the deferred income relevant to each material obligation was calculated.

Cell Therapy Limited Notes to Financial Statements 2018

Notes (continued)

The period over which obligations arise are in a range between 5 and 20 years. 20 years is the minimum term of the patent for Heartcel in Japan (granted in 2017). These estimates are reviewed each year. No change to the estimates is considered necessary in relation to the 2018 financial statements.

16. Called up share capital

Allotted, called up and fully paid

	2018 Number	2017 Number
A Ordinary shares of 1p each		
At start of year	1,983,437	1,975,271
Allotted in the year	-	8,166
At end of year	1,983,437	1,983,437
B Investment shares of 1p each		
At start of year	13,046	12,947
Allotted in the year	-	99
At end of year	13,046	13,046
	1,996,483	1,996,483
	£	£
A Ordinary shares of 1p each	19,835	19,835
B Investment shares of 1p each	130	130
	19,965	19,965

17. Share premium

On 12 April 2017 a share for share exchange was enacted with the shareholders in Cell Therapy Limited ("CTL") receiving 3 shares in Celixir plc for every share held in CTL. The status of the share premium for the Company is detailed below:

	Share premium £
Balance as at 31 July 2016	8,863,101
Premium arising on the issue of shares in the year	1,598,382
Less expenses of the issue of shares written off	(6,615)
Balance as at 31 July 2017 and 31 July 2018	10,454,868

Notes (continued)

18. Share-based payment

Equity-settled share option scheme

On 12 April 2017, a share for share exchange was enacted with the shareholders in Cell Therapy Limited ("CTL") receiving 3 shares in Celixir plc for every share held in CTL. Until this date, CTL had a share option scheme for certain employees. At the exchange, share options granted to employees in CTL were cancelled, and replaced by new options in Celixir plc, in a 3:1 ratio to those cancelled, and on exactly the same terms regarding exercise price and vesting period.

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

	2018		2017	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of period	-	-	293,008	£5.62
Granted during the period	-	-	52,100	£25.00
Cancelled and replaced with Group scheme during the period	-	-	(345,108)	-
Outstanding at end of period	-	-	-	-

19. Operating leases

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

	2018 £	2017 £
Future minimum lease payments:		
Within one year	171,451	120,146
In two to five years	458,271	1,436,856
	629,722	1,557,002

During the year £176,305 was recognised as an expense in the income statement in respect of operating leases (2017: £94,780).

Cell Therapy Limited Notes to Financial Statements 2018

Notes (continued)

20. Related parties

The following amounts were paid during the year or owed at the end of the year to key management personnel of the Company or its parent, Celixir plc:

	2018			2017	
	Consultancy fees	Paid or accrued expenses	Balance owed to	Consultancy fees	Paid or accrued expenses
<i>Executive</i>					
Professor Sir Martin Evans ¹	-	611	-	-	-
Ajan Reginald ¹	-	24,790	(613)	-	1,951
Mark Beards ¹	-	1,466	-	-	4,237
Mark Hughes ²	-	-	-	-	491
David Preston ²	-	-	-	-	2,189
Dr Sabena Sultan ²	-	2,124	(82)	-	5,569
Dr Nigel Scott ²	-	-	-	-	-
Dr Lee Chapman ²	-	-	-	-	-
Duncan Ribbons ²	-	2,346	-	-	3,123
<i>Celixir plc Non-executive directors</i>					
Lord Digby Jones	91,000	437	-	95,000	119
Dr Darrin Disley	25,000	-	-	25,000	-
Dr Francesco Granata	-	-	-	12,083	-
Chaim Hurvitz	25,000	-	-	27,083	-
Helen Grant	-	756	-	-	-
Conor Kehoe	-	-	-	-	-
Fiona Murray	-	-	-	-	-
Gary Pisano	-	7,818	-	-	-
Rhodri Morgan	-	-	-	-	680
Dr Mubasher Sheikh	-	-	-	-	-
<i>Cell Therapy Ltd Non-executive director</i>					
Anthony Bird	-	-	-	-	965
<i>Other related parties</i>					
Kathryn Fallon	-	1,196	-	-	2,766
Judith Evans	-	-	-	-	-
Zita Sheikh	-	-	-	-	-

Cell Therapy Limited Notes to Financial Statements 2018

Notes (continued)

¹ Directors of Celixir plc; ² Directors of Cell Therapy Ltd

The table above excludes amounts paid as salaries and pensions details of which, for the directors of the company, are set out in note 6, to their financial statements, excluding directors who were also directors of Celixir plc in the period in respect of which details are provided in the financial statements of that company. Consultancy fees are included total remuneration set-out in note 6.

In addition to the amounts shown above:

Ms Kathryn Fallon, spouse of Mr Ajan Reginald, was employed by the Company and her salary for the year was £43,214 (2017: £42,792). Expenses paid in the year to Ms Fallon included £845 in relation to rent for a property owned by her, for use of a Company employee during a temporary relocation (2017: £6,355), charged on an open market, arm's length basis. Expenses of £351 incurred for business purposes were reimbursed (2017: £2,766). Ms Fallon also received pension contributions equal to 2% of salary.

Lady Judith Evans, spouse of Professor Sir Martin Evans, was employed by the Company for which she received a salary of £2,500 (2017: £15,042).

Zita Sheikh, spouse of Mr Mubasher Sheikh, was employed by the Company for which she received a salary of £2,500 (2017: £15,042).

Mr Anthony Bird, who served as non-executive director of Cell Therapy Limited until 17 July 2018, is a director of the Bird Group. The Bird Group is controlled by Mr Bird and is the owner of Celixir House, in relation to which the Company entered into a lease on 11 July 2017, on an open market, arm's length basis. In the year ended 31 July 2018 the Bird Group received rent and service charges of £110,518 in accordance with the terms of the lease agreement.

21. License granted by CTL to Alliancells Bioscience Co. Ltd

On 20 December 2012, the Company 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.

22. Events after the balance sheet date

There have been no post balance sheet events identified since the year end.