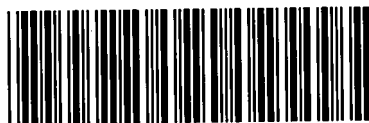


REGISTERED NUMBER: 08859577 (England and Wales)

**Report of the Directors and
Financial Statements
for the Year Ended
31 December 2017
for
TRACR Hematology Limited**

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TRACR Hematology Limited

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TRACR Hematology Limited
Company Information
for the Year Ended 31 December 2017

DIRECTORS:

Prof. R Novak
J Jones

REGISTERED OFFICE:

The Old Bakehouse
Course Road
Ascot
Berkshire
SL5 7HL

REGISTERED NUMBER:

08859577 (England and Wales)

AUDITORS:

Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

TRACR Hematology Limited
Report of the Directors
for the Year Ended 31 December 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

REVIEW OF BUSINESS

TRACR Hematology Limited is a biopharmaceutical company and is part of a group that is focused on translating CRISPR-Cas9 gene-editing technology into transformative medicines for serious human diseases. The company currently does not trade although it has incurred costs in the period for licenses relating to the use of CRISPR-Cas9 for the treatment of hemoglobinopathies.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

Prof. R Novak
J Jones

Other changes in directors holding office are as follows:

T Dylan-Hyde ceased to be a director after 31 December 2017, but prior to the date of this report. He resigned from office on 31 March 2018.

GOING CONCERN

The directors consider that the company will continue as a going concern for the period 12 months from the date of signing the accounts, on the basis that the parent company has sufficient funds in place to provide continuing financial support. A letter of support has therefore been issued by the parent company. Accordingly, the directors have prepared the accounts on a going concern basis.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

TRACR Hematology Limited

**Report of the Directors - continued
for the Year Ended 31 December 2017**

SMALL COMPANY PROVISIONS

The directors have taken advantage of section 415A of Companies Act 2006 in preparing the directors report.

ON BEHALF OF THE BOARD:

.....
J Jones - Director



Date: 6 September 2018

Report of the Independent Auditors to the Members of TRACR Hematology Limited

Opinion

We have audited the financial statements of TRACR Hematology Limited (the 'company') for the year ended 31 December 2017 which comprise the Income Statement, Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and Notes 1 to 12 to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information in the annual report other than the financial statements and our auditor's report. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

**Report of the Independent Auditors to the Members of
TRACR Hematology Limited - continued**

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Farzin Radfar (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Luton

Date: *10 September 2018*

TRACR Hematology Limited

**Income Statement
for the Year Ended 31 December 2017**

	Notes	31.12.17 £	31.12.16 £
TURNOVER		-	-
Administrative expenses		<u>75,224</u>	<u>167,119</u>
OPERATING LOSS and LOSS BEFORE TAXATION		(75,224)	(167,119)
Tax on loss	5	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(75,224)</u>	<u>(167,119)</u>

The notes form part of these financial statements

TRACR Hematology Limited

**Other Comprehensive Income
for the Year Ended 31 December 2017**

	Notes	31.12.17 £	31.12.16 £
LOSS FOR THE YEAR		(75,224)	(167,119)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(75,224)</u>	<u>(167,119)</u>

The notes form part of these financial statements

TRACR Hematology Limited (Registered number: 08859577)

**Statement of Financial Position
31 December 2017**

	Notes	31.12.17 £	31.12.16 £
FIXED ASSETS			
Intangible assets	6	1	1
CURRENT ASSETS			
Debtors	7	6	6
CREDITORS			
Amounts falling due within one year	8	<u>642,450</u>	<u>567,226</u>
NET CURRENT LIABILITIES		<u>(642,444)</u>	<u>(567,220)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(642,443)</u>	<u>(567,219)</u>
CAPITAL AND RESERVES			
Called up share capital	9	6	6
Retained earnings	10	<u>(642,449)</u>	<u>(567,225)</u>
SHAREHOLDERS' DEFICIT		<u>(642,443)</u>	<u>(567,219)</u>

The financial statements were approved by the Board of Directors on 6 September 2018 and were signed on its behalf by:

.....
J Jones - Director

The notes form part of these financial statements

TRACR Hematology Limited

**Statement of Changes in Equity
for the Year Ended 31 December 2017**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	6	(400,106)	(400,100)
Changes in equity			
Issue of share capital	-	-	-
Total comprehensive income	-	(167,119)	(167,119)
Balance at 31 December 2016	6	(567,225)	(567,219)
Changes in equity			
Total comprehensive income	-	(75,224)	(75,224)
Balance at 31 December 2017	6	(642,449)	(642,443)

TRACR Hematology Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1. STATUTORY INFORMATION

TRACR Hematology Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Statement of Cash Flows exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose the Statement of Cash flows, as a subsidiary of CRISPR Therapeutics AG, which draws up the consolidated financial statements, including a Statement of Cash Flows. Details of the parent of the group can be found in the Notes below.

Significant judgements and estimates

The company's management is required to make estimates and assumptions during the year and calculate contingent assets and liabilities at the year end date. However, the management believe that there are no significant judgements or estimates to report during the year.

Intangible fixed assets

Intangible fixed assets are costs incurred with a licence to perform research and development and are capitalised at cost. After initial recognition, intangible assets are measured at cost less any accumulated impairment losses. The carrying value of intangibles are reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable, and then written down to their recoverable amount. The recoverable amount is the higher of its fair value less cost to sell and its value in use.

Intangible assets comprise of patent and licence costs. They are capitalised at cost. However, given the nature and uncertainty of these assets, the directors believe that both value in use and fair value less cost to sell are close to zero, so immediately impair to a nominal holding of £1.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

The presentational currency of the financial statements is Pounds Sterling, which is also the company's functional currency.

Going concern

At the year end, the company had total liabilities of £642,443. The directors consider that the company can continue as a going concern, as the majority shareholder, CRISPR Therapeutics AG, has sufficient funds to provide financial support to the company from 12 months of the date of signing of the accounts. A letter of support has therefore been issued by CRISPR Therapeutics AG. Accordingly, the directors have prepared the financial statements on a going concern basis.

TRACR Hematology Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2017

3. EMPLOYEES AND DIRECTORS

There were no employees during the year.

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	31.12.17	31.12.16
	£	£
Patents and licences amortisation	9,400	29,039
Auditors' remuneration	15,940	5,000
Foreign exchange differences	<u>(24,026)</u>	<u>51,039</u>

The directors' qualifying services to the company do not occupy a significant amount of their time. As such, the directors do not consider that they have received remuneration for their incidental services to the company.

5. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose for the year ended 31 December 2017 nor for the year ended 31 December 2016.

6. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1 January 2017	137,674
Additions	<u>9,400</u>
At 31 December 2017	<u>147,074</u>
AMORTISATION	
At 1 January 2017	137,673
Amortisation for year	<u>9,400</u>
At 31 December 2017	<u>147,073</u>
NET BOOK VALUE	
At 31 December 2017	<u>1</u>
At 31 December 2016	<u>1</u>

TRACR Hematology Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2017

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.17	31.12.16
	£	£
Called up share capital not paid	<u>6</u>	<u>6</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.17	31.12.16
	£	£
Trade creditors	693	2,272
Amounts owed to parent undertaking	627,757	488,837
Accrued expenses	<u>14,000</u>	<u>76,117</u>
	<u>642,450</u>	<u>567,226</u>

9. CALLED UP SHARE CAPITAL

Allotted and issued:				
Number:	Class:	Nominal value:	31.12.17	31.12.16
			£	£
5,600	Ordinary	0.001	<u>6</u>	<u>6</u>

10. RESERVES

	Retained earnings £
At 1 January 2017	(567,225)
Deficit for the year	<u>(75,224)</u>
At 31 December 2017	<u>(642,449)</u>

11. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

CRISPR Therapeutics AG (incorporated in Switzerland) is regarded by the directors as being the company's ultimate parent company and controlling party.

12. PARENT COMPANY

CRISPR Therapeutics AG, a company incorporated in Switzerland, is the parent company, by virtue of holding 100% of the issued share capital of the company and it is also the parent of the smallest group for which consolidated financial statements are drawn up, of which TRACR Hematology Limited is a member. CRISPR Therapeutics AG draws up the consolidated financial statements, copies of which are available from its address: Baarerstrasse 14, Zug V8, CH-6300, Switzerland.