Registered Number 10541091

Celixir plc

Annual report and financial statements for the year ended 31 July 2019

Contents

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 2019.

Details of significant events since the balance sheet date are contained in Note 25.

Principal activities and results

Celixir is a clinical development stage bio-pharmaceutical group formed as Cell Therapy Ltd 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 Group span research, development, commercialisation and manufacture of cellular medicines.

During the reporting period, the focus of the Group has been preparing for its planned clinical trial of its lead product, Heartcel, including interacting with the Health Research Authority (HRA). Whilst commencement of the trial has been delayed, all of the necessary approvals and other arrangements are now in place and the trial has now commenced. This will be the principal focus of the Group for 2019/20.

As the lead product, the Group's resources are being focused on the development of Heartcel, which the Board believes is likely to deliver the best value for shareholders. Accordingly, the Group is planning to divest certain non-core assets into newly-created, independent entities, and is currently awaiting advance assurance from HMRC to enable these transactions to proceed. All Celixir shareholders have been offered the opportunity to participate.

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

Celixir continues to develop its portfolio of over 100 patent applications, of which to date 32 have been granted.

The directors have undertaken an impact assessment of Brexit and have concluded that this should not have any significant impact on operations in the foreseeable future.

Directors

The directors who served in the year and to the date of this report, unless stated otherwise, were as follows:

Professor Sir Martin Evans, Chief Scientific Officer
Dr Mubasher Sheikh, Chairman (resigned 7 January 2019)
Dr Darrin Disley, Non-executive director (appointed Chairman 7 January 2019)
Mr Chaim Hurvitz , Non-executive director
Mrs Fiona Murray, Non-executive director
Mr Gary Pisano, Non-executive director
Mr Conor Kehoe, Non-executive director (resigned 1 February 2019)
Mr Ajan Reginald, Chief Executive Officer

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 Group'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 Group'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 Group made no political donations or incurred any political expenditure during the year (2018: £nil). The Group made £44,000 of charitable donations during the year (2018: £10,250).

Results and dividends

The loss for the year after taxation was £2,590,384 (2018: £6,679,615). This loss was after research and development tax credit claims of £3,208,318 (2018: £350,693), relating to the financial years 2016/17 to 2018/19. No dividend for the year has been paid or is proposed (2018: £nil).

Auditor

Deloitte LLP were appointed as auditor during the year and have expressed their willingness to continue in office as auditor. A resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Financial instruments

See Note 22 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.

Going concern

The directors have prepared these financial statements on the basis that Celixir plc ("the Company") and its subsidiaries ("Celixir" or "the Group") are a going concern and able to meet their liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

At 31 July 2019, Celixir had cash available of £3.2m (2018: £5.6m). Since the year end, the Group has received an R&D tax credit of £1.2m and incurred cash expenses of approximately £1.1m, resulting in cash balances of £3.3m at the date of these financial statements.

The ability of the Group to continue operations in its current capacity is dependent on additional equity finance being raised, however the Group has a good track record of raising equity funding, is targeting to raise additional funds in 2020 and discussions are in progress with prospective investors. In addition,

Directors' report (continued)

Going concern (continued)

opportunities continue to be considered to build on the out-licence of Heartcel to Daiichi Sankyo for Japan, by out-licencing in additional geographies. Any such out-licence would be expected to include significant upfront payments to the Group.

The principal operational objective of the Group is to undertake the planned phase II clinical trial for Heartcel in Europe. This trial has now commenced, positive data from which would be expected to result in significant interest from prospective investors and licencing partners.

However, the directors recognise that there will always be uncertainty in relation to the outcome of such discussions and that there is no certainty that the targeted funding will be secured. Accordingly, the directors have planned for a range of potential scenarios for the business, including those not dependent on raising significant new equity or licencing income. In the absence of additional funding being secured, there would be a focus on supporting the development of Heartcel in Japan by Daiichi Sankyo, and the directors would implement cost savings to keep operations running at a reduced capacity, including temporary suspension of manufacturing, headcount reductions, trial cost and other overhead savings.

The directors have prepared working capital projections for the range of scenarios referred to above, all of which demonstrate that the Group is able to meet its liabilities as they fall due for the period to 31 December 2020, whilst continuing to deliver its operational objectives.

Given the nature of the business, the directors have a 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.

On the basis of the above, the directors have concluded that it remains appropriate to prepare these financial statements on the going concern basis.

Signed on behalf of the Board of Directors

Ajan Reginald
Director and Chief Executive Officer
Celixir plc

Company Number: 10541091

Celixir House
Innovation Way
Stratford Upon Avon
CV37 7GZ
19 December 2019

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 the parent company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

Independent auditor's report to the members of Celixir plc

Report on the audit of the financial statements

Opinion
In our opinion:

- the financial statements of Celixir plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 group's or the parent company's ability to continue to

Independent auditor's report to the members of Celixir plc (continued)

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.

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Celixir plc (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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.

Julian Rae (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

20 December 2019

Consolidated statement of comprehensive income

Year ended 31 July 2019

	Notes 1.2	2019 £	2018 Restated £
Continuing operations			
Revenue	4	**1,355,328**	718,302
Cost of sales		**(466,580)**	(75,400)
Gross profit		**888,748**	642,902
Operating expenses		**(5,994,390)**	(7,548,478)
Impairment charges	12	**(707,555)**	(150,238)
Operating loss	5	**(5,813,197)**	(7,055,814)
Finance income	8	**23,956**	32,949
Finance costs		**(9,461)**	(7,443)
Loss before taxation		**(5,798,702)**	(7,030,308)
Taxation	9	**3,208,318**	350,693
Loss for the year		**(2,590,384)**	(6,679,615)
Other comprehensive income			
Exchange movements on translation of foreign operations	10	**(17,323)**	(97)
Total comprehensive loss for the year		**(2,607,707)**	(6,679,712)

Consolidated balance sheet

As at 31 July 2019

	Notes 1.2	2019 £	2018 Restated £
Non-current assets			
Property, plant and equipment	11	**810,757**	1,222,450
Intangible assets	12	**1,327,576**	2,276,624
		2,138,333	3,499,074
Current assets			
Trade and other receivables	14	**290,416**	464,359
Cash at bank and in hand		**3,154,134**	5,586,095
Research and development tax credit		**2,090,880**	351,464
		5,535,430	6,401,918
Total assets		**7,673,763**	9,900,992
Current liabilities			
Trade and other payables	15	**(1,129,302)**	(1,075,275)
Deferred income	17	**(658,828)**	(908,685)
		(1,788,130)	(1,983,960)
Net current assets		**3,747,300**	4,417,958
Non-current liabilities			
Deferred income	17	**(10,000,000)**	(10,580,129)
Provisions	16	**(60,000)**	-
Other financial liabilities	13	**-**	(345,950)
Deferred tax	13	**-**	(151,920)
		(10,060,000)	(11,077,999)
Total liabilities		**(11,848,130)**	(13,061,959)
Net liabilities		**(4,174,367)**	(3,160,967)
Equity			
Called up share capital	18	**62,161**	61,189
Share premium	19	**3,406,681**	2,200,471
Merger reserve	19	**10,981,212**	10,760,550
Treasury shares	20	**(145,134)**	(145,134)
Share-based payment reserve	21	**1,250,967**	1,084,504
Accumulated losses		**(19,697,927)**	(17,107,543)
Currency translation reserve		**(32,327)**	(15,004)
Total equity		**(4,174,367)**	(3,160,967)

These financial statements were approved by the Board of Directors on 19 December 2019 and were signed on its behalf by:

Ajan Reginald
Director and Chief Executive Officer

Celixir plc
Celixir House, Innovation Way
Stratford-upon-Avon CV37 7GZ
Company no: 10541091

Consolidated statement of changes in equity

Year ended 31 July 2019

	Notes	Called up share capital £	Share premium £	Merger reserve £	Treasury shares £	Share based payment reserve £	Accumulated losses £	Currency translation reserve £	Total equity £
Balance at 1 August 2017		59,962	283,558	10,414,939	(78,463)	484,384	(10,427,928)	(14,907)	721,545
Issue of shares (net of issue costs)	18/19	632	1,916,913	-	-	-	-	-	1,917,545
Purchase of shares in Celixir plc by Celixir plc Employee Benefit Trust		-	-	-	(66,671)	-	-	-	(66,671)
Acquisition consideration	13/18	595	345,611	-	-	-	-	-	346,206
Restatement	1.2	-	(345,611)	345,611	-	-	-	-	-
Share based payment	21	-	-	-	-	600,120	-	-	600,120
Loss for the year		-	-	-	-	-	(6,679,615)	-	(6,679,615)
Other comprehensive loss		-	-	-	-	-	-	(97)	(97)
Balance at 31 July 2018 restated		61,189	2,200,471	10,760,550	(145,134)	1,084,504	(17,107,543)	(15,004)	(3,160,967)
Issue of shares (net of issue costs)	18/19	592	1,206,210	-	-	-	-	-	1,206,802
Acquisition consideration	13/18	380	-	220,662	-	-	-	-	221,042
Share based payment	21	-	-	-	-	166,463	-	-	166,463
Loss for the year		-	-	-	-	-	(2,590,384)	-	(2,590,384)
Other comprehensive loss		-	-	-	-	-	-	(17,323)	(17,323)
Balance at 31 July 2019		62,161	3,406,681	10,981,212	(145,134)	1,250,967	(19,697,927)	(32,327)	(4,174,367)

Consolidated cash flow statement

Year ended 31 July 2019

	Notes	2019 £	2018 £
Loss for the year		**(2,590,384)**	(6,679,615)
Adjustments for:			
Finance income		**(23,956)**	(32,949)
Finance costs		**9,461**	7,443
Income tax credit		**(3,208,318)**	(350,693)
Depreciation of property, plant and equipment	11	**494,065**	488,426
Amortisation of intangible assets	12	**428,746**	185,092
Impairment of intangible assets	12	**707,555**	150,238
Share-based payment expense	21	**166,463**	600,120
Loss/(gain) on disposal of property, plant and equipment	11	**270**	(8,485)
Increase in provisions	16	**60,000**	-
Decrease in contingent consideration		**(124,908)**	-
Operating cash flows before movements in working capital		**(4,081,006)**	(5,640,423)
Decrease in trade and other receivables		**173,943**	510,460
Increase in trade and other payables		**54,071**	195,795
Decrease in deferred income		**(829,986)**	(622,283)
Cash used in operations		**(4,682,978)**	(5,556,451)
Research and development tax credit received		**1,316,938**	-
Interest paid		**(9,461)**	(7,443)
Net cash used in operating activities		**(3,375,501)**	(5,563,894)
Investing activities			
Interest received	8	**23,956**	32,949
Proceeds on disposal of property, plant and equipment		**1,678**	81,700
Purchases of property, plant and equipment		**(84,320)**	(662,598)
Purchases of intangible assets	12	**(187,253)**	(225,518)
Acquisition of subsidiary	13	**-**	154,905
Net cash used in investing activities		**(245,939)**	(618,562)
Financing activities			
Purchase of treasury shares	20	**-**	(66,671)
Proceeds on issue of shares		**1,206,802**	1,921,577
Issue costs		**-**	(4,032)
Net cash from financing activities		**1,206,802**	1,850,874
Net decrease in cash and cash equivalents		**(2,414,638)**	(4,331,582)
Cash and cash equivalents at beginning of year		**5,586,095**	9,917,774
Effect of foreign exchange rate changes		**(17,323)**	(97)
Cash and cash equivalents at end of year		**3,154,134**	5,586,095

Notes to the consolidated financial statements

1. Accounting policies

1.1 Basis of preparation
Celixir plc (the "Company"), registered number 10541091, is a public company limited by shares, incorporated and domiciled in England and Wales. The registered office address is Celixir House, Innovation Way, Stratford-Upon-Avon CV37 7GZ, UK.

The Group's financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value, 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 Restatement of comparatives
The following comparatives have been restated in these financial statements:

	31 July 2018 as previously stated (£)	31 July 2018 adjustment (£)	**31 July 2018 restated (£)**
Statement of comprehensive income			
Revenue	-	718,302	**718,302**
Other operating income	718,302	(718,302)	-
Operating expenses	7,623,878	(75,400)	**7,548,478**
Cost of sales	-	75,400	**75,400**
Capital and reserves			
Share premium	2,546,082	(345,611)	**2,200,471**
Merger reserve	10,414,939	345,611	**10,760,550**

The following restatements impact the parent company financial statements:

	31 July 2018 as previously stated (£)	31 July 2018 adjustment (£)	**31 July 2018 restated (£)**
Non-current assets			
Investments	4,395,339	1,708,649	**6,103,988**

In April 2017, the Company's wholly-owned subsidiary, Cell Therapy Limited (CTL), modified its employee share option plan such that each pre-existing option ("the former options") granted to CTL employees was cancelled and concurrently replaced with an option over three new shares in Celixir plc. The vesting terms and conditions and the exercise price of the replacement options remain the same as the former options such that the fair value remains the same immediately before and after the exchange.

1. **Accounting policies (continued)**

1.2 Restatement of comparatives (continued)

From the Company's perspective, a catch-up adjustment should have been recorded to reflect the modification in 2017; however, the entry should have been recorded as an increase to the cost of investment of CTL and not as compensation expense. Similarly, the 2018 amounts should also have been recorded as an increase in investment and not as compensation expense.

The transaction represents a modification of an existing plan involving the cancellation of the former options and the replacement of those instruments with new options. Celixir plc recorded a retrospective adjustment to reflect the modification in 2017 by an entry to decrease retained earnings for the 2017 charge (£394,391) and retained earnings brought forward for the pre-2017 charge (£89,993) with corresponding increases in equity in the amount of £484,384. For 2018, the Company recognised a share-based compensation expense of £532,109 in respect of the above plan with a corresponding entry being recorded as an increase in equity.

In order to reflect the appropriate accounting treatment, the Company has restated the 2018 financial statements as follows:

- Increase in investment in subsidiary of £1,016,493.
  - Reduced accumulated losses for 2018 by £532,109 as total comprehensive loss for 2018 has moved from £6,679,615 to £6,147,506.
  - Reduced accumulated losses brought forward by £484,384.

In June 2018 the Celixir group, via its subsidiary Celixir Innovations Limited (CIL), acquired 100% of the share capital of Desktop Genetics Limited from a third party. The consideration for this acquisition was settled by Celixir plc with a corresponding intercompany balance recorded. However as there was no obligation for CIL to reimburse Celixir plc this should have been recorded as an increase in investment for Celixir plc in its separate financial statements.

In addition, the premium recognised on the issuance of shares to settle the consideration balance was recognised in share premium. However, as the requirements of merger relief as set out in the Companies Act 2006 s612 were met, this premium should not have been recognised as share premium but in a separate component in equity.

To reflect the appropriate accounting for the acquisition and to reflect the actual consideration paid the following adjustments have been posted to restate the separate financial statements of Celixir plc in 2018:

- Increase in investment in subsidiary of £692,156
- Decrease in contingent consideration of £75,932
- Decrease in share premium of £421,599
- Decrease in intercompany receivable of £844,076
- Increase in merger reserve by £345,611

1. Accounting policies (continued)

1.2 Restatement of comparatives (continued)
Revenue and cost of sales balances have been reclassified from other operating income and operating expenses respectively as these are deemed to more appropriately reflect the nature of the balances.

1.3 Basis of consolidation
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 returns from its involvement with the investee; and has the ability to use its power to affect its returns.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.4 Going concern
The Group's financial statements show a loss after tax for the year of £2,590,384 (2018: loss of £6,679,615) and net liabilities of £4,174,367 (2018: net liabilities of £3,160,967).

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

The directors have prepared these financial statements on the basis that Celixir plc ("the Company") and its subsidiaries ("Celixir" or "the Group") are a going concern and able to meet their liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

The Group has a good track record of raising equity funding, is targeting to raise additional funds in 2020 and discussions are in progress with prospective investors. In addition, opportunities continue to be considered to build on the out-licence of Heartcel to Daiichi Sankyo for Japan, by out-licencing in additional geographies. Any such out-licence would be expected to include significant upfront payments to the Group.

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 Group will have sufficient funds to meet its liabilities as they fall due for that period.

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.

Therefore, the directors consider that preparation of accounts on a going concern basis is appropriate.

1. Accounting policies (continued)

1.5 Business combinations
All business combinations are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated statement of comprehensive income, as incurred, in operating expenses.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent or deferred consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values that qualify as measurement period adjustments are adjusted against the cost of acquisition. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs and recognised immediately in the consolidated statement of comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

1.6 Acquired intangible assets
Acquired technology-related intangible assets are amortised on a straight-line basis over their estimated useful lives in the range of 3 to 5 years.

1.7 Goodwill
Where consideration for an acquisition is in the form of cash, goodwill is measured as the excess of the sum of the consideration payable over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. It is recognised as an asset at the date control is acquired (the acquisition date), at cost less any accumulated impairment.

Where consideration is in the form of the Company's shares, which are not readily marketable, in accordance with IFRS 3, the acquisition-date fair value of the acquiree's equity interest is used as the measure of the fair value of the consideration, and no goodwill is recognised on the acquisition. Goodwill is not amortised but is reviewed for impairment annually, or more frequently if there is an indication that it may be impaired.

1. Accounting policies (continued)

1.8 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group 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 statement of comprehensive income.

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.

On consolidation, the assets and liabilities of foreign operations are translated to the Group's presentational currency, Sterling, at exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the currency translation reserve.

1.9 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 revenues are recognised in accordance with IFRS 15 *Revenue from Contracts with Customers* (effective date 1 January 2018), on an accrual basis, in line with performance conditions, such as obtaining and maintaining relevant patents, in accordance with the substance of the relevant agreement (provided it is probable that the economic benefits will flow to the Group 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.

1.10 Operating lease payments

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

1.11 Financing income and costs

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

1. Accounting policies (continued)

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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. Some companies within the group are eligible to apply for research and development tax credits, which are included within the tax balance in the statement of comprehensive income.

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.

Full provision is made for the Research and Development tax credit calculated at the tax rates effective for the current year, and it is shown as a separate line item under current assets on the Balance Sheet. The Research and Development tax credit receivable has been recognised in full in the current year as there is now sufficient evidence available that these amounts will be received.

1.13 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the statement of comprehensive income 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
Fixtures and fittings	3 years

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

1.14 Intangible assets

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

1. Accounting policies (continued)

1.14 Intangible assets (continued)

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.

Costs associated with software are carried at cost and amortised over a period of 2-5 years.
The technology-related intangible assets acquired with Desktop Genetics are being amortised over a period of 3 years from date of acquisition.

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible; the Group 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 statement of comprehensive income on a straight-line basis over the estimated useful lives of the Group'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.

1.15 Share-based payments

The Group issues equity settled share options to certain employees. The Black-Scholes option model is used to estimate the fair value of each option at date of grant. The fair value is expensed on a straight line basis over the vesting period based on the Group's estimate of the shares that will eventually vest.

1.16 Treasury shares

Shares of the parent Company purchased by the Celixir plc Employee Benefit Trust are held at cost and shown as a deduction in equity.

1. Accounting policies (continued)

1.17 Financial instruments

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations on the Group 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 Group; and

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

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 Group'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.

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.

1.18 Adopted IFRS not yet applied

<u>Standards, amendments and interpretations effective in 2019 and adopted by the Group</u>

The following standards were relevant to the Group in 2019 but had no material effect:

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IFRS 9	Financial Instruments

The Group has adopted IFRS 9 with effect from 1 August 2018 and has amended its accounting policies accordingly.

At the balance sheet date, the Group's financial instruments, which were all non-derivative, comprised trade debtors and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables do not carry any interest and are stated at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

The only requirement of IFRS 9 which impacts the Group is the requirement to impair financial assets under the new IFRS 9 expected credit loss model. The Group's credit loss model is to recognise a loss allowance of 100% against debtors over 120 days past due, based on historical experience that indicates

1. Accounting policies (continued)

1.18 Adopted IFRS not yet applied (continued)
that such balances are generally not recoverable.

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

Company investments in equity securities are carried at cost less impairment.

Cash and cash equivalents comprise cash balances and call deposits.

During the year, a financial liability relating to contingent consideration for the acquisition of a subsidiary in the previous financial year was settled at an amount less than its carrying value. The difference between the carrying value and the amount settled was credited to the statement of comprehensive income.

The Group did not have any financial instruments other than those that are initially recognised at fair value and subsequently measured on a FVTPL basis.

The carrying values of the Group's trade debtors, less impairment provision, and trade and other payables approximates to their fair values at the balance sheet date.

The adoption of IFRS 9 has not had any impact on any reported amounts in these financial statements.

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

Standards, amendments and interpretations not yet adopted by the Group
As at the date of signing these financial statements the following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 16 (effective for years beginning 1 January 2019)	Leases
IFRS 17 (effective for years beginning 1 January 2021)	Insurance Contracts
IFRIC 23 (effective for years beginning 1 January 2019)	Uncertainty over Income Tax Treatments
Amendments to IAS 28 (effective for years beginning 1 January 2019)	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS 4 (effective for years beginning 1 January 2020)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 9 (effective for years beginning 1 January 2019)	Prepayment Features with Negative Compensation

IFRS 16 is effective for the Group from 1 August 2019 and will change lease accounting for lessees under operating leases. This will require recognition of an asset, representing the right to use the leased item, and a liability, representing future lease payments. Lease costs such as rents will be recognised as depreciation and interest, rather than as an operating cost.

The Group plans to adopt the modified retrospective approach with the "right of use" (RoU) asset equal to the lease liability at transition date, less any lease incentives received.

1. Accounting policies (continued)

1.18 Adopted IFRS not yet applied (continued)

Adoption of the standard will result in a decrease to operating costs broadly offset by an increase in the combined depreciation and interest expense, resulting in a net immaterial impact to profit before tax.

Non-current assets and gross liabilities, at adoption, are both expected to increase, with net assets remaining unchanged.

There will be no change to cash outflows but rental outflows, currently shown as operational outflows, will be presented under financing activities.

The Group has elected not to recognise RoU assets and lease liabilities for short-term leases (with a term of 12 months or less) or low-value assets, on which the Group will continue to expense the lease payments on a straight line basis over the lease term.

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 Group in future years.

2. Critical accounting judgements and key sources of estimation uncertainty

In application of the Group's accounting policies above, the directors are required to make judgements, 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.

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. 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 Group has evidence to suggest otherwise. If a patent application is not pursued or rejected an impairment loss will arise.

During the year, certain patents have been abandoned and the appropriate impairment charge recognised in the statement of comprehensive income. The judgement of the directors is that the remaining patents, to the extent that they have not yet been granted, will be granted in due course and that their value in use exceeds their carrying value. As at 31 July 2019, the carrying amount of patents and trademarks, subject to this judgement, was £1,327,576.

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

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, which was granted in 2017. *This assumption is based on both the patent and licence agreement remaining in force over this period.*

These assumptions are key judgements which are kept under regular review, and should the assumptions change, the period over which the deferred income is recognised may need to be changed. The annual revenue expected to be recognised in FY 2019/20 is £625,000, based on the recognition period of 20 years. For each one year reduction in the 20 year recognition period, the amount of revenue recognised for each year would increase by £33,000. However there would be no cash impact from any such change.

3. Segment analysis

Celixir is currently a small group which is organised as a single business unit with all key decisions being made by the Board of Directors of Celixir plc.

4. Revenue

	2019	2018
	£	£
Daiichi Sankyo upfront licence fee recognised in year	**595,105**	639,976
Sale of clinical products for research purposes	**170,000**	75,400
Other projects and licence fees	**590,223**	2,926
	1,355,328	718,302

The amounts shown for 2018 were shown in the financial statements for the year ended 31 July 2018 as other operating income.

5. Operating loss

Operating loss is stated after charging/(crediting):

	2019	2018
	£	£
Research and development expenditure	**3,174,535**	3,472,672
Depreciation of property, plant and equipment	**494,065**	488,426
Amortisation of acquisition intangible assets	**281,328**	46,888
Amortisation of other intangible assets	**147,418**	138,204
Loss/(profit) on disposal of property, plant and equipment	**270**	(8,485)
Operating lease rentals (Note 23)	**207,698**	204,513
Foreign exchange (gain)/loss	**(22,373)**	8,090
Auditor's remuneration:		
Audit of these financial statements	**25,000**	22,170
Audit of company's subsidiaries	**40,000**	40,000
Amounts receivable by the Group's auditor and its associates in respect of:		
Tax compliance services	**12,000**	11,000

6. Employees

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

	2019	2018
Average number of employees:		
Research	**29**	33
Administrative	**19**	19
	48	52

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**2,394,978**	3,042,588
Social security costs	**315,965**	361,392
Other pension costs	**63,036**	120,738
Share-based payment charge	**166,463**	600,120
	2,940,442	4,124,838

7. Directors' remuneration

	2019			2018		
	Basic pay	**Benefits**	**Total**	Basic pay	Benefits	Total
	£	**£**	**£**	£	£	£
Aggregate emoluments	**845,867**	**51,531**	**897,397**	819,546	41,331	860,877

The total emoluments for the higest paid director were £356,705 (2018: £439,120), including basic pay of £316,667 (2018: £400,000), pension contributions of £36,000 (2018: £36,000) and other benefits of £4,038 (£2018: £3,120). There were no pension arrangements in place for any other director. No directors exercised share options in the current or prior year.

8. Finance income

	2019	2018
	£	£
Interest on bank deposits	**23,956**	32,949

9. Tax

	2019	2018
	£	£
Overseas tax charge for the year	**706**	771
Research and development tax credit	**(923,759)**	(351,464)
Adjustments in respect of R&D credit in prior years	**(2,133,345)**	-
Deferred tax	**(151,920)**	-
	(3,208,318)	(350,693)

Reconciliation of effective tax rate:	**2019**	2018
	£	£
Loss for the year	**(5,798,702)**	(7,030,308)
Tax using the UK corporation tax rate of 19% (2018: 19%)	**(1,101,753)**	(1,335,759)
Current year losses for which no deferred tax asset was recognised	**1,101,753**	1,335,759
Adjustments in respect of R&D credits in prior years	**(2,133,345)**	-
R&D tax credit	**(923,759)**	(351,464)
Deferred tax	**(151,920)**	-
Overseas tax charge for the year	**706**	771
Taxation credit	**(3,208,318)**	(350,693)

	£	£
Tax losses as at 1 August 2018	**(15,843,822)**	(11,253,384)
Tax losses surrendered	**21,083,469**	2,423,888
Loss for the year	**(5,798,702)**	(7,030,308)
Add back entertaining	**(10,354,549)**	15,982
Estimated tax losses as at 31 July 2019	**(10,913,604)**	(15,843,822)

9. Tax (continued)
The current UK corporation tax rate is 19%, however, the Group expects to benefit from the UK Patent Box Corporation Tax regime from exploiting patented inventions which is based on a 10% CT rate.

10. Exchange movements
Other comprehensive income comprises exchange losses arising from the translation of the assets and liabilities of foreign operations into the Group's presentational currency, Sterling, at the exchange rate prevailing at the balance sheet date, and the revenues and expenses of those operations at the average rate for the year.

11. Property, plant and equipment

	Leasehold improve-ments £	Office and laboratory equipment £	Manufacturing facility £	Fixtures and fittings £	Motor vehicles £	Total £
Cost						
As at 1 August 2017	11,228	196,397	940,772	13,017	191,810	**1,353,224**
Additions	484,126	167,132	16,073	4,982	-	**672,313**
Disposals	-	-	-	-	(105,430)	**(105,430)**
As at 31 July 2018	495,354	363,529	956,845	17,999	86,380	**1,920,107**
Additions	2,944	27,612	53,471	293	-	**84,320**
Disposals	-	(6,083)	-	-	-	**(6,083)**
As at 31 July 2019	**498,298**	**385,058**	**1,010,316**	**18,292**	**86,380**	**1,998,344**
Accumulated depreciation						
As at 1 August 2017	-	26,972	176,463	432	37,579	**241,446**
Charge in year	99,085	111,962	190,113	6,250	81,016	**488,426**
Disposals	-	-	-	-	(32,215)	**(32,215)**
As at 31 July 2018	99,085	138,934	366,576	6,682	86,380	**697,657**
Charge in year	164,472	118,588	205,885	5,120	-	**494,065**
Disposals	-	(4,135)	-	-		**(4,135)**
As at 31 July 2019	**263,557**	**253,387**	**572,461**	**11,802**	**86,380**	**1,187,587**
Carrying amount						
At 31 July 2019	**234,741**	**131,671**	**437,855**	**6,490**	**-**	**810,757**
At 31 July 2018	396,269	224,595	590,269	11,317	-	1,222,450

12. Intangible assets

	Patents and trademarks £	Software £	Acquired intangibles £	Total £
Cost				
As at 1 August 2017	1,560,494	4,853	-	**1,565,347**
Acquisitions	225,518	-	844,000	**1,069,518**
As at 31 July 2018	1,786,012	4,853	844,000	**2,634,865**
Acquisitions	187,253	-	-	**187,253**
As at 31 July 2019	**1,973,265**	**4,853**	**844,000**	**2,822,118**
Amortisation and impairment				
As at 1 August 2017	21,604	1,307	-	**22,911**
Amortisation for the year	136,622	1,582	46,888	**185,092**
Impairment charge	148,274	1,964	-	**150,238**
As at 31 July 2018	306,500	4,853	46,888	**358,241**
Amortisation for the year	147,418	-	281,328	**428,746**
Impairment charge	191,771	-	515,784	**707,555**
As at 31 July 2019	**645,689**	**4,853**	**844,000**	**1,494,542**
Carrying amount				
As at 31 July 2019	**1,327,576**	-	-	**1,327,576**
As at 31 July 2018	1,479,512	-	797,112	2,276,624

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 and the amortisation charge is included within operating expenses in the Statement of Comprehensive Income.

Intangible assets are periodically reviewed for impairment. For the year ended 31 July 2019, an impairment charge of £191,771 has been recognised for certain minor patent applications and trademarks which the Group does not intend to progress/use, and the impairment charge has been included within operating expenses in the Statement of Comprehensive Income. This has no impact on the Group's principal patent applications which are in the process of being granted.

An impairment of £515,784 against the full carrying value of acquired intangibles has been charged in the year (see Note 13).

12. Intangible assets (continued)

The carrying values and remaining amortisation periods of the Group's principal patents included above, are as shown below:

Patent	Description	Carrying value at 31 July 2019	Remaining amortisation period (years)
IMP1	Immuno-modulatory progenitor cell	224,496	16
PML	Progenitor cells of mesodermal lineage	246,383	13
siRNA	Materials and methods for treatment of allergic disease	530,416	6

13. Business combinations

There were no acquisitions in the year.

In the previous year, on 4 June 2018, the Group acquired 100% of the share capital of Desktop Genetics Limited, together with its US subsidiary, Desktop Genetics Inc.

The acquisition-date fair values as assessed at 31 July 2018 are shown in the table below:

At fair value:	£
Property, plant and equipment	9,715
Trade and other receivables	434,746
Intangible assets identified on acquisition	844,000
Cash and cash equivalents	154,905
Trade and other payables	(348,274)
Deferred income	(251,016)
Deferred tax	(151,920)
Net assets acquired	**692,156**

The consideration for the acquisition was wholly in the form of A Ordinary shares in Celixir plc, comprising 59,544 shares issued on the date of acquisition and contingent consideration of up to a further 59,500 shares representing a maximum amount of £345,950.

The contingent shares were subject to the achievement of certain operational performance targets in the 12 month period following acquisition, relating to the completion of contracts in progress at the acquisition date and the business operating within agreed financial and operational parameters.

Celixir plc was obliged to deliver a variable number of its shares to satisfy the contingent consideration. Accordingly at 31 July 2018 the full amount of contingent consideration potentially payable was classified, in accordance with IAS 32, as a non-derivative and shown on the face of the balance sheet as a financial liability.

As at 31 July 2019, based on the achievement of the performance targets in the 12 month period following acquisition, the actual total and deferred amount of consideration due was determined as £567,248 and £221,042 respectively, £124,908 less than the maximum consideration payable of £692,156.

13. Business combinations (continued)

The number of Celixir plc shares issued in satisfaction of the contingent consideration was 38,017.

The reduction in the amount of the consideration of £124,908 has been credited to the income statement, as a FVTPL adjustment.

The carrying value of the intangible assets shown in the table above at 31 July 2019, after amortisation up to that date, was £515,784. The directors have assessed the carrying value of these intangible assets as at 31 July 2019 as £nil. Accordingly, an impairment charge of £515,784 has been made (see Note 12). In addition, the deferred tax relating to the above asset has been fully credited in the year (see Note 9).

14. Trade and other receivables

	2019	2018
	£	£
Less than one year		
Trade receivables	**13,419**	61,950
Prepayments	**164,963**	262,990
Taxation and social security	**105,654**	139,145
Other receivables	**6,380**	274
	290,416	464,359

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

The Group has only a small number of trade debtor balances. The Group's credit loss model is to recognise a loss allowance of 100% against debtors over 120 days past due, based on historical experience that indicates that such balances are generally not recoverable.

The following table details the risk profile of trade receivables at the balance sheet date:

	Not past due	< 30	31-60	61-90	>90	Total
	£	£	£	£	£	£
As at 31 July 2019	-	13,419	17,801	-	-	31,220
Expected credit losses	-	-	(17,801)	-	-	(17,801)
Trade receivables	-	**13,419**	-	-	-	**13,419**

	Not past due	< 30	31-60	61-90	>90	Total
	£	£	£	£	£	£
As at 31 July 2018	-	61,950	-	-	-	61,950
Expected credit losses	-	-	-	-	-	-
Trade receivables	-	**61,950**	-	-	-	**61,950**

15. Trade and other payables

	2019	2018
	£	£
Less than one year		
Trade payables	**235,688**	416,954
Director's loans	**8,735**	-
Non-trade payables and accrued expenses	**884,879**	658,321
	1,129,302	1,075,275

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.

16. Provisions

	Dilapidations
Cost	£
At 1 August 2018	-
Additional provision in the year	60,000
At 31 July 2019	**60,000**

The provision represents management's best estimate of the potential costs to reinstate the Group's leased properties to their original condition.

17. Deferred income

	2019	2018
Daiichi Sankyo upfront licence fee:	£	£
At start of year	**11,220,105**	11,860,081
Recognised in year	**(595,105)**	(639,976)
At end of year	**10,625,000**	11,220,105
Other deferred income	**33,828**	268,709
	10,658,828	11,488,814
Current	**658,828**	908,685
Non-current	**10,000,000**	10,580,129
	10,658,828	11,488,814

In April 2016, Cell Therapy Limited (CTL) 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 Celixir retaining worldwide rights outside of Japan, together with global manufacturing responsibilities. Under the terms of the agreement, the Group received a £12.5 million upfront non-refundable licensing fee and there are potential additional milestone payments and royalties.

18. Called up share capital

Allotted, called up and fully paid:	2019 Number	2018 Number
A Ordinary shares of 1p each		
At start of year	**6,079,771**	5,957,064
Allotted in the year	**97,203**	122,707
At end of year	**6,176,974**	6,079,771
B Investment shares of 1p each		
At start of year	**39,138**	39,128
Allotted in the year	**-**	10
At end of year	**39,138**	39,138
	6,216,112	6,118,909

	£	£
A Ordinary shares of 1p each	**61,770**	60,798
B Investment shares of 1p each	**391**	391
	62,161	61,189

The holders of A Ordinary shares and B Investment shares are entitled to receive dividends as declared from time to time. The holders of A Ordinary shares are entitled to one vote per share at meetings of the Company. B Investment shares are non-voting. During the year, 59,186 shares were allotted for £1,206,802, and a further 38,017 were issued to Desktop Genetics Investors, as final settlement of the contingent consideration following its acquisition in the prior year (see Note 13).

19. Share premium and merger reserve

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 share premium in CTL as at the date of the share exchange was transferred into the merger reserve of the Group. The status of the share premium and merger reserve for the Group is detailed below:

	Share premium (Restated) £	Merger reserve (Restated) £
Balance at 1 August 2017	283,558	10,414,939
Premium arising on the issue of shares issued since incorporation	1,916,913	-
Acquisition consideration	-	345,611
Balance at 31 July 2018	2,200,471	10,760,550
Premium arising on the issue of shares in the year	1,206,210	-
Acquisition consideration	-	220,662
Balance at 31 July 2019	**3,406,681**	**10,981,212**

20. Treasury shares

In March 2017, the Company entered into a trust deed to establish the Celixir plc Employee Benefit Trust, into which it transferred £78,463 used by the trust to purchase B Investment shares in the Company. During the prior year, the Company transferred £66,671 to the trust which it used to make purchases of A Ordinary shares. The shares were held as treasury shares by the Company at 31 July 2018 and 2019.

21. Share-based payment

Equity-settled share option scheme

The Group has a share option scheme in which certain employees participate. 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. At the exchange, share options granted to employees in CTL were cancelled, and replaced by new options using the same 3 for 1 ratio, with the exercise price of each option adjusted accordingly, such that there was no change in the value of the options immediately before and after the exchange. In all other respects, the terms regarding the exercise price and vesting period were unchanged. Options granted prior to the exchange are restated below as if they were options in Celixir plc from initial grant.

The vesting period is usually three years. If options remain unexercised after a period ten years from the date of grant the options expire. Options are forfeited in full if the employee leaves the Group before the options vest, except where they are determined to be a good leaver by the Remuneration Committee, in accordance with the scheme rules. Where an employee is determined to be a good leaver, a proportion of the option vests and becomes exercisable.

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

Number	Exercise price	Dates exercisable
394,500	£0.33	21 July 2018 to 21 July 2025
420,924	£3.33	25 April 2019 to 25 April 2026
60,000	£8.33	26 September 2019 to 26 September 2026
108,000	£8.33	13 October 2019 to 13 October 2026
20,000	£8.33	17 October 2019 to 17 October 2026
3,000	£8.33	1 November 2019 to 1 November 2026
15,000	£11,67	1 August 2020 to 1 August 2027
31,978	£11.67	6 November 2021 to 6 November 2028
61,189	£11.67	26 March 2019 to 26 February 2029

21. Share-based payment (continued)

Details of the share option movements in the year and share options outstanding at the year end are as follows:

	2019		**2018**	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at beginning of period	**1,062,424**	**£3.32**	987,024	£2.88
Granted during the period	**108,904**	**£11.67**	77,831	£9.10
Forfeited during the period	**(56,737)**	**£7.16**	(1,000)	£10.67
Exercised during the period	**-**	**-**	(1,431)	£11.67
Outstanding at the end of the period	**1,114,591**	**£3.94**	1,062,424	£3.32
Exercisable at the end of the period	**905,090**	**£2.56**	409,500	£0.33

The options outstanding at 31 July 2019 had a weighted average remaining contractual life of approximately 6.8 years (2018: 7.6 years).

Share-based payment reserve

	2019	2018
	£	£
At start of year	**1,084,504**	484,384
Credit for the year	**166,463**	600,120
At end of year	**1,250,967**	1,084,504

The 2018 charge £600,120 was previously recognised in full in the parent company financial statements. This has been reclassified in the 2019 financial statements to split the charge between the parent company £68,011 and Cell Therapy Limited £532,109.

The estimated fair value of the share options at the date of grant is calculated using the Black Scholes Option model, based on the following assumptions:

	2019	2018	2017	2016
Weighted average share price (£)	**4.91**	9.21	8.11	4.34
Weighted average exercise price (£)	**11.67**	9.10	8.33	3.33
Weighted average expected volatility	**25%**	25%	29%	29%
Expected life (years)	**10**	10	10	10
Risk free interest rate	**0.60%**	1.12%	0.44%	0.44%
Expected dividend yields	**0.00%**	0.00%	0.00%	0.00%

21. Share-based payment (continued)
The expected term of stock options has been based on the weighted average remaining life of each option from the balance sheet date to the last date exercisable. The prevailing market share price of £20.39 (2018: £27.62) was discounted using published success rates for Phase II to Phase III (2018: Phase II 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 £166,463 (2018: £600,120).

22. Financial instruments: information on financial risk
The directors deem that at 31 July 2019 and 2018 the fair value of the Group's financial assets and liabilities were equal to their carrying amount.

Capital risk management
The Group 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 Group is exposed is liquidity risk. The Group monitors this risk and will take appropriate action to minimise any exposure.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Details of recoverability of trade and other receivables is provided in Note 14. The Group's maximum exposure to credit risk is the balance sheet amount. For compliance with IFRS 9, 100% allowances have been made against any receivables over 120 days past due, based on historical experience that indicates that such balances are generally not recoverable.

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 Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows.

Fair value measurements
The Group did not have any financial instruments that are measured subsequent to initial recognition at fair value. An analysis of the fair value hierarchy has therefore not been presented.

23. Operating leases
Non-cancellable operating lease rentals for land and buildings are payable as follows:

	2019	2018
	£	£
Future minimum lease payments:		
Within one year	**174,274**	226,498
In two to five years	**293,271**	462,156
	467,545	688,654

23. Operating leases (continued)
During the year £207,698 was recognised as an expense in the income statement in respect of operating leases (2018: £204,513).

24. Related parties
Transactions with key management personnel:

	2019		2018	
	Consultancy fees £	Paid or accrued expenses £	Consultancy fees £	Paid or accrued expenses £
Executive				
Professor Sir Martin Evans[1]	-	402	-	611
Ajan Reginald[1]	-	10,001	-	24,790
Mark Beards[1]	-	-	-	1,466
David Preston[2]	32,750	-	-	-
Dr Sabena Sultan[2]	-	1,199	-	2,124
Dr Lee Chapman[2]	-	90	-	-
Duncan Ribbons[2]	-	644	-	2,346
Dr Leigh Brody[3]	-	869	-	-
Victor Dillard[3]	-	3,885	-	-
Celixir plc Non-executive directors				
Lord Digby Jones	-	-	91,000	437
Dr Darrin Disley	25,000	-	25,000	-
Chaim Hurvitz	25,000	-	25,000	-
Helen Grant	-	-	-	756
Conor Kehoe	-	80	-	-
Gary Pisano	-	-	-	7,818
Other related parties				
Kathryn Fallon	-	-	-	1,196

[1] Directors of Celixir plc; [2] Directors of Cell Therapy Ltd; [3] Directors of Desktop Genetics Ltd

The table above excludes payments in relation to amounts paid as salaries and pensions. Consultancy fees are included in total remuneration set out in Note 7. In addition to the amounts shown above:

Mr Ajan Reginald received benefits of £4,038 (2018: £3,120) and the Group paid pension contributions on his behalf of £36,000 (2018: £36,000). As at 31 July 2019, a director's loan balance of £8,735 (2018: £nil) was owed to Mr Ajan Reginald.

As at 31 July 2019, the Company's directors and their immediate relatives controlled 72.69% of the voting shares of the Company (2018: 74%).

24. Related parties (continued)
Mr Anthony Bird, who is a director of The Bird Group and also served as a non-executive director of Cell Therapy Limited until 17 July 2018, received £13,664 of deferred salary, relating to his service as a director, in September 2018. The Bird Group is controlled by Mr Bird and is the owner of Celixir House, in relation to which the Group entered into a lease on 11 July 2017, on an open market, arm's length basis. In the year ended 31 July 2019 the Bird Group received rent, service charges and legal costs of £182,369 (2018: £110,518) in accordance with the terms of the lease agreement.

Ms Kathryn Fallon, spouse of Mr Ajan Reginald, was employed by the Group and her salary for the year was £38,278 (2018: £43,214). Ms Fallon also received pension contributions equal to 2% of salary (2018: 2%).

Lady Judith Evans, spouse of Professor Sir Martin Evans, was employed by the Group for which she received a salary of £2,500 (2018: £2,500).

Mrs Zita Sheikh, spouse of Mr Mubasher Sheikh, was employed by the Group for which she received a salary of £2,500 (2018: £2,500).

Dr Darrin Disley, Chairman and non-executive director of Celixir plc, was a shareholder in Desktop Genetics Limited (DGL) immediately prior to its acquisition by the Group on 4 June 2018. As described in Note 13, consideration for the acquisition was in the form of Celixir plc shares. Accordingly, Dr Disley received shares in Celixir plc in exchange for his shares in DGL on acquisition, and subsequently received further shares in Celixir plc during the current year, in relation to the contingent element of the consideration. The terms relating to these shares are identical to the terms received by the other former shareholders of DGL.

The Group consists of a parent Company, Celixir plc, and a number of subsidiaries held directly and indirectly by Celixir plc. Note 28 lists the Company's interests in subsidiaries. Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation and not disclosed in this note.

25. Events after the balance sheet date
On 23 September 2019, the research and development tax credit relating to financial year 2017/18 of £1,167,563, included within the amount shown in Note 9, was received.

Company balance sheet

As at 31 July 2019

	Notes 1.2	2019 £	2018 Restated £
Non-current assets			
Investments	29	**4,108,458**	6,103,988
Intercompany	30	-	2,315,370
		4,108,458	8,419,358
Current assets			
Cash at bank and in hand		**1,230,768**	25,013
		1,230,768	25,013
Total assets		**5,339,226**	8,444,371
Non-current liabilities			
Intercompany	30	-	(132,427)
Contingent consideration		-	(345,950)
Deferred taxation		-	(151,920)
Total liabilities		-	(630,297)
Net assets		**5,339,226**	7,814,074
Capital and reserves			
Called up share capital	18	**62,161**	61,189
Share premium	19	**3,406,681**	2,200,471
Merger reserve	19	**10,981,212**	10,760,550
Treasury shares	20	**(145,134)**	(145,134)
Share-based payment reserve	21	**1,250,967**	1,084,504
Accumulated losses		**(10,216,661)**	(6,147,506)
Total equity		**5,339,226**	7,814,074

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 year of £4,069,155 (2018: £6,147,506).

These financial statements were approved by the Board of Directors on 19 December 2019 and were signed on its behalf by:

Ajan Reginald
Director and Chief Executive Officer

Celixir plc
Celixir House
Innovation Way
Stratford Upon Avon
CV37 7GZ
Company no: 10541091

Company statement of changes in equity
Year ended 31 July 2019

	Note	Called up share capital	Share premium	Merger reserve	Treasury shares	Share-based payment	Accumulated losses	Total equity
		£	£	£	£	£	£	£
Balance at 1 August 2017 as previously reported		59,962	283,558	10,414,939	-	484,384	(484,384)	10,758,459
Restatement	1.2	-	-	-	-	-	484,384	484,384
Balance at 1 August 2017 restated		59,962	283,558	10,414,939	-	484,384	-	11,242,843
Issue of shares (net of issue costs)	18/19	1,227	2,338,512	-	-	-	-	2,339,739
Restatement	1.2	-	(421,599)	345,611	-	-	-	(75,988)
Treasury shares		-	-	-	(145,134)	-	-	(145,134)
Share-based payment	21	-	-	-	-	600,120	-	600,120
Total comprehensive loss		-	-	-	-	-	(6,147,506)	(6,147,506)
Balance at 31 July 2018 restated		61,189	2,200,471	10,760,550	(145,134)	1,084,504	(6,147,506)	7,814,074
Issue of shares (net of issue costs)	18/19	592	1,206,210	-	-	-	-	1,206,802
Acquisition consideration	13/18	380	-	220,662	-	-	-	221,042
Share-based payment	21	-	-	-	-	166,463	-	166,463
Total comprehensive loss		-	-	-	-	-	(4,069,155)	(4,069,155)
Balance at 31 July 2019		62,161	3,406,681	10,981,212	(145,134)	1,250,967	(10,216,661)	5,339,226

Notes to the Company financial statements

26. 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 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.

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.

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

The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements.

Critical accounting judgements and key sources of estimation uncertainty
In application of the Company's accounting policies above, the directors are required to make judgements, 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.

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 investments
Determining whether an investment in subsidiary is impaired requires an estimation of whether the carrying value is supported by the underlying value of the subsidiary. The value in the subsdiary requires the entity to estimate the future cash flows expected to arise.

During the year, an appropriate impairment charge has been recognised in the statement of comprehensive income. The judgement of the directors is that the remaining investment balance is recoverable. As at 31 July 2019, the carrying amount of investments, subject to this judgement, was £4,108,458.

27. Loss 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 year of £4,069,155, which includes £33,981 share-based payment charge, £124,908 credit for the reduction in contingent consideration payable (see Note 13) in respect of the acquisition of Desktop Genetics Limited in the prior year, and £4,159,035 relating to provisions against the carrying value of intercompany balances and investments (2018: £6,147,506). See Notes 29 and 30 for details of these provisions.

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

The Company has four employees, whose costs are met by Cell Therapy Limited.

28. Subsidiaries

All interests in the companies listed below are owned by Celixir plc. All interests are held in ordinary share capital.

Name of legal entity	Country of incorporation	Company number	Status	% held
Directly held entities				
Cell Therapy Limited[a]	UK	06970743	Active	100%
Celixir Innovations Limited[a]	UK	10141208	Intermediate holding co.	100%
Indirectly held entities				
Κυτταρική Θεραπεία Ελλάς Εταιρία Περιορισμένης Ευθύνης[b] (Cell Therapy Hellas)	Greece		Active	100%
Desktop Genetics Limited[a]	UK	08170120	Active	100%
Desktop Genetics Inc.[c]	US		Active	100%
siRNA Limited[a] (previously Regenety Limited)	UK	10069155	Dormant*	100%
Cell Therapy Oncology Limited[a]	UK	10219539	Dormant*	100%
Cell Therapy Skincel Limited[a]	UK	10219524	Dormant*	100%
Cell Therapy Diabetes Limited[a]	UK	10219345	Dormant*	100%
Cell Therapy Tendoncel Limited[a]	UK	10219553	Dormant*	100%
Heartcel CABG Limited[a]	UK	11354169	Dormant*	100%
Bioreactor Corporation Limited[a]	UK	09000908	Dormant*	100%
Celixir (Singapore) Pte Ltd[d]	Singapore	201625275R	Dormant*	100%
Innately Limited[a]	UK	11362645	Dormant*	100%
Myocardion Limited[a]	UK	07214755	Dormant*	100%

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

* these entities have taken advantage of the audit exemption for qualifying subsidiaries, in accordance with sections 479A to 479C of the Companies Act 2006.

29. Investment in subsidiaries

	£
Carrying value at 1 August 2018 (restated – see Note 1.2)	6,103,988
Additions in the year	132,482
Provision for impairment in the year	(2,128,012)
At 31 July 2019	**4,108,458**

The investments in subsidiaries are all stated at cost less provision for impairment. Additions in the year relate to a share-based payment charge for Cell Therapy Limited employees, which has been credited to the capital contribution reserve.

30. Intercompany transactions

Intercompany balances in Celixir plc relate to funding the trading operations of Cell Therapy Limited, its principal trading subsidiary, and Celixir Innovations Limited, in relation to its prior year acquisition of Desktop Genetics Limited.

The following table shows the movement in expected credit losses that have been recognised against net intercompany receivables:

	2019	2018
	£	£
Intercompany receivables	**2,163,450**	2,315,370
Intercompany payables	**(132,427)**	(132,427)
Net intercompany receivables	**2,031,023**	2,182,943
Expected credit losses	**(2,031,023)**	-
Net intercompany receivable at end of year	**-**	2,182,943

The expected credit loss has been charged to the statement of comprehensive income as an impairment charge within operating expenses.

31. Share capital and share premium

The movements on these items are disclosed in Notes 18 and 19 to the consolidated financial statements.

32. Ultimate controlling party

Celixir plc is the ultimate controlling party of the Celixir group.