Registered Number 10541091

Celixir plc

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

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 2018.

Details of significant events since the balance sheet date are contained in Note 26.

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

The Group has commenced GMP (Good Manufacturing Practice) approved manufacture of Heartcel, enabling the clinical trial to commence.

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 23 have been granted.

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

Directors

The directors who served in the year were as follows:

Professor Sir Martin Evans, Chief Scientific Officer (appointed 26 January 2018)
Dr Mubasher Sheikh, Chairman (appointed 26 January 2018, 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 (appointed 26 January 2018)
Mr Gary Pisano, Non-executive director (appointed 26 January 2018)
Mr Conor Kehoe, Non-executive director (appointed 8 February 2018)
Mr Ajan Reginald, Chief Executive Officer
Mr Mark Beards (resigned 31 December 2017)
Lord Digby Jones of Birmingham (resigned 26 January 2018)
Mrs Helen Grant MP (resigned 12 February 2018)

Prior to their appointment as directors of the Company on 26 January 2018, Professor Sir Martin Evans and Dr Mubasher Sheikh served as directors of the Company's subsidiary, and former Group parent company up until 12 April 2017, Cell Therapy Limited.

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 (2017: £nil). The Group made £10,250 of charitable donations during the year (2017: £25,180).

Results and dividends

The loss for the year after taxation was £6,679,615 (2017: £5,482,392). This loss was after a tax credit of £350,693 (2017: £403 charge). No dividend for the year has been paid or is proposed (2017: £nil).

Auditor

In accordance with section 489 CA 2006, a resolution proposing the reappointment of KPMG LLP as auditor and authorising the Board to fix its remuneration will be put to the 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.

This report was approved by the Board on 7 January 2019, taking advantage of special exemptions available 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 31st July 2018, Celixir had cash available of £5.6m. Since the year end, Celixir has incurred cash expenses of approximately £2.3m and has entered into agreements with both new and existing shareholders for the provision of £4.5m of new capital. £0.77m of this new capital is expected to be received on or before 31st January 2019 with the balance of £3.73m expected to be received on or before 28th February 2019. Whilst there will always be uncertainty in relation to amounts committed but not yet received, there are no indications of which the directors are aware which would give the directors concern over the inflow of expected funds.

Directors' report (continued)

The directors have prepared working capital projections for the period to 31 March 2020 which show that Celixir is able to meet its liabilities as they fall due while continuing to deliver on its operational objectives as follows:

- building on the out-licence of Heartcel to Daiichi Sankyo for Japan, by out-licencing in additional geographies, the terms of which are expected to include significant upfront payments to the Group
- undertaking phase IIB clinical trials for Heartcel in Europe
- continuing development of the Group's pipeline of other assets

Sufficiently in advance of this date, in order for these operational objectives to be fulfilled, Celixir will need to secure additional sources of finance. To date, Celixir has demonstrated a good track record of being able to attract such funding for its activities and the directors have the reasonable expectation that the Company and Group will be able to continue to do so. There is, however, no guarantee of this and future funding will also be dependent on the Group being able to demonstrate continuing progress in its research, development and commercialisation 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
Celixir House, Innovation Way
Stratford Upon Avon CV37 7GZ
7 January 2019

Company Number: 10541091

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Celixir plc

Opinion
We have audited the financial statements of Celixir plc ("the company") for the year ended 31 July 2018 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity and related notes, including the accounting policies in Note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2018 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 as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report
The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.
Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion report has been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
A fuller description of our responsibilities is provided on the FRC's website at
www.frc.org.uk/auditorsresponsibilities.

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

Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
E14 5GL
9 January 2019

Consolidated statement of comprehensive income
Year ended 31 July 2018

	Notes	2018 £	2017 £
Continuing operations			
Other operating income	4	**718,302**	639,919
Operating expenses	5	**(7,774,116)**	(6,151,953)
Operating loss		**(7,055,814)**	(5,512,034)
Finance income	8	**32,949**	34,327
Finance expenses		**(7,443)**	(4,282)
Loss before tax		**(7,030,308)**	(5,481,989)
Tax	9	**350,693**	(403)
Loss for the year		**(6,679,615)**	(5,482,392)
Other comprehensive income			
Exchange movements on translation of foreign operations		**(97)**	(14,907)
Total comprehensive loss for the year		**(6,679,712)**	(5,497,299)

Consolidated balance sheet

31 July 2018

	Notes	2018 £	2017 £
Non-current assets			
Property, plant and equipment	10	**1,222,450**	1,111,778
Intangible assets	11	**2,276,624**	1,542,436
		3,499,074	2,654,214
Current assets			
Trade and other receivables	15	**815,823**	540,844
Cash at bank and in hand		**5,586,095**	9,917,774
		6,401,918	10,458,618
Total assets		**9,900,992**	13,112,832
Current liabilities			
Trade and other payables	16	**(1,075,275)**	(531,206)
Deferred income	17	**(908,685)**	(639,976)
		(1,983,960)	(1,171,182)
Net current assets		**4,417,958**	9,287,436
Non-current liabilities			
Deferred income	17	**(10,580,129)**	(11,220,105)
Other financial liabilities	12	**(345,950)**	-
Deferred tax	12	**(151,920)**	-
		(11,077,999)	(11,220,105)
Total liabilities		**(13,061,959)**	(12,391,287)
Net (liabilities)/assets		**(3,160,967)**	721,545
Equity			
Called up share capital	18	**61,189**	59,962
Share premium	19	**2,546,082**	283,558
Merger reserve	19	**10,414,939**	10,414,939
Treasury shares	20	**(145,134)**	(78,463)
Share-based payment reserve	21	**1,084,504**	484,384
Accumulated loss		**(17,107,543)**	(10,427,928)
Currency translation reserve		**(15,004)**	(14,907)
Total equity		**(3,160,967)**	721,545

These financial statements were approved by the Board of Directors on 7 January 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 2018

	Share Capital £	Share Premium Account £	Merger Reserve £	Treasury Shares £	Share based Payment £	Retained Earnings £	Currency Translation Reserve £	**Total Equity £**
Balance at 1 August 2016	-	-	8,882,983	-	89,993	(4,945,536)	-	**4,027,440**
Issue of shares (net of issue costs) in former parent company for cash	-	-	1,116,830	-	-	-	-	**1,116,830**
Issue of shares in former parent company in consideration for patents	-	-	475,020	-	-	-	-	**475,020**
Issue of shares (net of issue costs) for cash	68	283,558	-	-	-	-	-	**283,626**
Issue of shares in share for share exchange	59,894	-	(59,894)	-	-	-	-	**-**
Purchase of shares in Celixir plc by Celixir plc Employee Benefit Trust	-	-	-	(78,463)	-	-	-	**(78,463)**
Share based payment	-	-	-	-	394,391	-	-	**394,391**
Total comprehensive loss for 2017	-	-	-	-	-	(5,482,392)	(14,907)	**(5,497,299)**
Balance at 31 July 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)	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	595	345,611	-	-	-	-	-	**346,206**
Share based payment	-	-	-	-	600,120	-	-	**600,120**
Total comprehensive loss for 2018	-	-	-	-	-	(6,679,615)	(97)	**(6,679,712)**
Balance at 31 July 2018	**61,189**	**2,546,082**	**10,414,939**	**(145,134)**	**1,084,504**	**(17,107,543)**	**(15,004)**	**(3,160,967)**

Consolidated cash flow statement

Year ended 31 July 2018

	Notes	2018 £	2017 £
Cash flow from operating activities			
Loss for the year		**(6,679,615)**	(5,482,392)
Finance income	8	**(32,949)**	(34,327)
Operating loss before interest		**(6,712,564)**	(5,516,719)
Depreciation	10	**488,426**	246,857
Gain on disposal of tangible fixed assets	10	**(8,485)**	(9,675)
Impairment of intangible assets	11	**150,238**	-
Amortisation of intangible assets	11	**185,092**	1,307
Share-based payment reserve	21	**600,120**	394,391
Movement in deferred income		**(622,283)**	(639,919)
Decrease/(increase) in trade and other receivables		**159,767**	(185,175)
Increase in trade and other payables		**195,795**	70,244
Net cash utilised in operating activities		**(5,563,894)**	(5,638,689)
Cash flow from investing activities			
Interest received	8	**32,949**	34,327
Acquisition of property, plant and equipment		**(662,598)**	(1,043,286)
Movement in foreign exchange reserve		**(97)**	(14,907)
Proceeds from sale of property, plant and equipment		**81,700**	48,700
Purchase of intangible fixed assets	11	**(225,518)**	(661,443)
Net cash inflow on acquisition of subsidiaries	12	**154,905**	-
Purchase of treasury shares	20	**(66,671)**	(78,463)
Net cash outflow from investing activities		**(685,330)**	(1,715,072)
Cash flows from financing activities			
Proceeds from issue of shares		**1,921,577**	1,407,071
Issue costs		**(4,032)**	(6,615)
Net cash inflow from financing activities		**1,917,545**	1,400,456
Net decrease in cash and cash equivalents		**(4,331,679)**	(5,953,305)
Cash and cash equivalents at start of year		**9,917,774**	15,871,079
Cash and cash equivalents at end of year		**5,586,095**	9,917,774

Notes to financial statements

1. Accounting policies

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

Celixir plc was incorporated on 28 December 2016, and a share for share exchange occurred on 12 April 2017 with the shareholders of Cell Therapy Limited ("CTL"), to directly mirror the shareholdings in CTL within the newly formed holding company. The change in ownership was accounted for as a merger and comparative figures for 2017 include the consolidated results of the Group for the 12 months to 31 July 2017.

The Group's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2.

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 and 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 income statement 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.

Going concern
The Group's financial statements show a loss after tax for the year of £6,679,615 *(2017: Loss of £5,482,392)* and net liabilities of £3,160,967 *(2017: net assets £721,545).*

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 directors have prepared working capital projections for the period to 31 March 2020 which demonstrate that new capital of £4.5m, expected to be received by 28 February 2019, together with the cash currently held by the Group, will be sufficient to allow the Group to continue as a going concern for at least 12 months from the date of approval of these accounts.

Sufficiently in advance of March 2020, in order for operational objectives to be fulfilled, Celixir will need to secure additional sources of finance. To date, Celixir has demonstrated a good track record of being able to attract such funding for its activities and the directors have the reasonable expectation that the Company and Group will be able to continue to do so. There is, however, no guarantee of this and future funding will also be dependent on the Group being able to demonstrate continuing progress in its research, development and commercialisation 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.

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

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 income statement, as incurred, in operating costs.

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 income statement. 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.

Acquisition 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.

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.

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

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.

Revenue recognition

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

Licence and royalty revenue is recognised in accordance with IFRS 15 *Revenue from Contracts with Customers* (effective date 1 January 2018), on an accrual basis, in line with performance conditions, in accordance with the substance of the relevant agreement (provided it is probable that the economic benefits will flow to the 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.

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

Operating lease payments

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

Financing income and expenses
Finance income and interest payable is recognised in the income statement as it accrues.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each asset on the following bases:

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

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

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.

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 income statement 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 income statement 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.

Inventories

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

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.

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.

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.

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

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

Investments in equity securities
Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Adopted IFRS not yet applied

<u>Standards, amendments and interpretations effective in 2018 and adopted by the Group</u>
The following standards were relevant to the Group in 2018 but had no material effect:
Amendments to IAS 7 Disclosure Initiative
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

<u>Standards early adopted by the Group</u>
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

<u>Standards, amendments and interpretations not yet adopted by the Group</u>
At 7 January 2019 the following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

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

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

The Group's operating lease commitments as at 31 July 2018 (see Note 23) of £688,654 are the best indicator of the estimated size of the RoU assets and lease liabilities likely to be recognised on balance sheet at transition, before taking into account reductions in these commitments and any new leases entered into between the balance sheet date and implementation of the new standard.

The Group intends to adopt this standard for the year ended 31 July 2020, in line with its mandatory effective date.

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

2. Critical accounting judgments and key sources of estimation uncertainty

In application of the Group's accounting policies above, the directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future payments if the revision affects both current and future periods.

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.

Valuation of acquisition intangible net assets

Acquired technology-related assets are recognised as intangible assets. These have been valued based on amortised development cost, this method being considered by the Group to be the most reliable and appropriate method of valuation. The key source of estimation uncertainty with respect to these intangible assets and goodwill is the future cash flows that will be generated from the use of these assets. The carrying value of acquisition intangibles and goodwill is £797,112 and £Nil respectively. No impairment charge has been made in respect of these amounts.

Impairment of other intangible assets
Determining whether an intangible asset is impaired requires an estimation of the value in use of the asset. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. In relation to patents, it is assumed that patents applied for will be granted in due course unless the Group has evidence to suggest otherwise. If a patent application is not pursued or rejected an impairment loss will arise.

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

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

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

The continuing development and commercialisation of the Group's products and pipe line require significant funding. In the event that existing funding is fully utilised and no new funding becomes available, the Group would be obliged to curtail its operations.

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. Other operating income

	2018	2017
	£	£
Daiichi Sankyo upfront licence fee recognised in year	**639,976**	639,919
Other income	**78,326**	-
	718,302	639,919

5. Operating expenses

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

	2018	2017
	£	£
Research and development expenditure	**3,548,072**	3,105,295
Depreciation of property, plant and equipment	**488,426**	246,857
Amortisation of acquisition intangible assets	**46,888**	-
Amortisation of other intangible assets	**138,204**	1,307
Impairment of other intangible assets	**150,238**	-
Profit on disposal of property, plant and equipment	**(8,485)**	(9,675)
Operating lease rentals (Note 23)	**204,513**	116,852
Foreign exchange loss/(gain)	**8,090**	(83,363)
Auditors' remuneration:		
Audit of these financial statements	**62,170**	45,000
Amounts receivable by the Company's auditor and its associates in respect of:		
Tax compliance services	**11,000**	25,180

6. Employees

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

	2018	2017
Average number of employees:		
Research	**33**	24
Administrative	**19**	18
	52	42

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**3,042,588**	2,713,666
Social security costs	**361,392**	311,594
Other pension costs	**120,738**	153,772
Share-based payment charge	**600,120**	394,391
	4,124,838	3,573,423

7. Directors' remuneration

	2018			2017		
	Basic pay	**Benefits**	**Total**	Basic pay	Benefits	Total
	£	**£**	**£**	£	£	£
Executive						
Professor Sir Martin Evans	**100,000**	**-**	**100,000**	-	-	-
Ajan Reginald	**400,000**	**39,120**	**439,120**	381,225	152,308	533,533
Mark Beards	**62,500**	**2,211**	**64,711**	150,000	2,195	152,195
Non-executive						
Dr Mubasher Sheikh	**-**	**-**	**-**	-	-	-
Dr Darrin Disley	**25,000**	**-**	**25,000**	25,000	-	25,000
Chaim Hurvitz	**25,000**	**-**	**25,000**	27,083	-	27,083
Fiona Murray	**12,885**	**-**	**12,885**	-	-	-
Conor Kehoe	**12,885**	**-**	**12,885**	-	-	-
Gary Pisano	**12,885**	**-**	**12,885**	-	-	-
Lord Digby Jones[1]	**107,750**	**-**	**107,750**	97,500	-	97,500
Helen Grant[1]	**60,641**	**-**	**60,641**	7,500	-	7,500
	819,546	**41,331**	**860,877**	688,308	154,503	842,811

[1] Amounts include contractual obligations on leaving the Company.

8. Finance income

	2018	2017
	£	£
Interest on bank deposits	**32,949**	34,327

9. Tax

	2018	2017
	£	£
Overseas tax charge for the year	**771**	403
Research and development tax credit	**(351,464)**	-
	(350,693)	403

Reconciliation of effective tax rate:

	2018	2017
	£	£
Loss for the year	**(7,030,308)**	(5,481,989)
Tax using the UK corporation tax rate of 19% (2017: 20%)	**(1,335,759)**	(1,078,124)
Current year losses for which no deferred tax asset was recognised	**1,335,759**	1,078,124
Research and development tax credit	**(351,464)**	-
Overseas tax charge for the year	**771**	403
	(350,693)	403

	2018	2017
	£	£
Tax losses as at 1 August 2017	**(11,253,384)**	(5,790,938)
Tax losses surrendered	**2,423,888**	-
Loss for the year	**(7,030,308)**	(5,481,989)
Add back entertaining	**15,982**	19,543
Estimated tax losses as at 31 July 2018	**(15,843,822)**	(11,253,384)

The current UK corporation tax rate is 19% which is due to fall to 17% from April 2020. This will reduce the Group's future current tax charge accordingly. 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. Property, plant and equipment

	Leasehold Improve-ments	Office and Laboratory Equipment	Manufacturing Facility	Fixtures & Fittings	Motor Vehicles	**Total**
	£	£	£	£	£	**£**
Cost						
As at 1 August 2016	-	32,624	288,744	-	50,150	**371,518**
Additions	11,228	163,773	652,028	13,017	203,240	**1,043,286**
Disposals					(61,580)	**(61,580)**
As at 31 July 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**
Accumulated depreciation						
As at 1 August 2016	-	11,572	-	-	5,572	**17,144**
Charge in year	-	15,400	176,463	432	54,562	**246,857**
Disposals	-	-	-	-	(22,555)	**(22,555)**
As at 31 July 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**
Carrying amount						
At 31 July 2018	**396,269**	**224,595**	**590,269**	**11,317**	**-**	**1,222,450**
At 31 July 2017	11,228	169,425	764,309	12,585	154,231	1,111,778

11. Intangible assets

	Patents and Trademarks	Software	Acquired Intangibles	**Total**
	£	£	£	**£**
Cost				
As at 1 August 2016	428,884	-	-	**428,884**
Additions	1,131,610	4,853	-	**1,136,463**
As at 31 July 2017	1,560,494	4,853	-	**1,565,347**
Additions	225,518		844,000	**1,069,518**
As at 31 July 2018	**1,786,012**	**4,853**	**844,000**	**2,634,865**
Amortisation and impairment				
As at 1 August 2016	21,604	-	-	**21,604**
Amortisation for the year	-	1,307	-	**1,307**
As at 31 July 2017	21,604	1,307	-	**22,911**
Amortisation for the year	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**
Carrying amount				
As at 31 July 2018	**1,479,512**	**-**	**797,112**	**2,276,624**
As at 31 July 2017	1,538,890	3,546	-	1,542,436

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

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

12. Business combinations

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 provisional fair values of the identifiable assets acquired and liabilities assumed are set-out 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**

Satisfied by:	
Ordinary A shares in Celixir plc	346,206
Contingent consideration at fair value	345,950
	692,156

Net cash outflow on acquisition	-

All of the assets and liabilities shown above, with the exception of intangible assets and the associated deferred tax, are stated at the carrying values of these assets and liabilities as recorded in the books of Desktop Genetics at the acquisition date. The directors consider that the fair value of these assets and liabilities at the acquisition date was equal to their book values.

In accordance with IFRS 3, Business Combinations, the directors are required to assess the fair value of the intangible assets of Desktop Genetics at the acquisition date. These intangible assets were internally generated by Desktop Genetics and, accordingly, were not carried in its balance sheet at the acquisition date.

The intangible assets comprise principally proprietary, in-house developed specialist software and algorithms intended to support the ongoing development of the Desktop Genetics business. The directors have assessed the fair value of these assets at £844,000, based on the amortised cost of the development of these assets prior to acquisition. Given the nature and circumstances of the acquired business, the directors have concluded that this is the best available and most reliable indicator of fair value.

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.

The contingent shares will be issued subject to the achievement of certain operational performance targets in the 12 month period following acquisition. The performance targets relate to the completion of contracts in progress at acquisition and the business operating within agreed financial parameters. The actual amount of consideration due and the corresponding number of Celixir plc shares to be issued in relation to the contingent consideration will be determined as at 31 July 2019.

As at 31 July 2018, the full amount of contingent consideration potentially payable has been recognised. The contingent consideration is a non-derivative for which Celixir plc is or may be obliged to deliver a variable number of its shares. In accordance with IAS 32, this is classified as a financial liability as shown on the face of the balance sheet.

The range of contingent consideration payable, conditional on the achievement of performance targets, is from £nil to £345,950.

As the shares of Celixir plc are not readily marketable, the acquisition-date fair value of the acquiree's equity interest is considered a more reliable measure of the fair value of the consideration than the acquisition-date fair value of the acquirer's equity interests. Accordingly, no goodwill is recognised on the acquisition.

The post-acquisition loss for the period 4 June to 31 July 2018, resulting from administrative costs, was £84,233. There were no sales falling due for recognition in the period. If the acquisition had completed on the first day of the financial year, Group income would have increased by £112,000 and Group loss before taxation would have increased by £459,000.

13. Inventories

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

14. 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	Status	% held
Directly held entities			
Cell Therapy Limited[a]	UK	Active	100%
Celixir Innovations Limited[a]	UK	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	Active	100%
Desktop Genetics Inc.[c]	US	Active	100%
SIRNA Limited[a] (previously Regenety Limited)	UK	Dormant	100%
Cell Therapy Oncology Limited[a]	UK	Dormant	100%
Cell Therapy Skincel Limited[a]	UK	Dormant	100%
Cell Therapy Diabetes Limited[a]	UK	Dormant	100%
Cell Therapy Tendoncel Limited[a]	UK	Dormant	100%
Heartcel CABG Limited[a]	UK	Dormant	100%
Bioreactor Corporation Limited[a]	UK	Dormant	100%
Celixir (Singapore) Pte Ltd[d]	Singapore	Dormant	100%
Innately Limited[a]	UK	Dormant	100%
Myocardion Limited[a]	UK	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

15. Trade and other receivables

	2018	2017
	£	£
Less than one year		
Trade receivables	**61,950**	-
Director's loan	**-**	1,386
Corporation tax	**351,464**	-
Prepayments	**262,990**	264,547
Other receivables	**139,419**	274,911
	815,823	540,844

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

16. Trade and other payables

	2018	2017
	£	£
Less than one year		
Trade payables	**416,954**	211,531
Non-trade payables and accrued expenses	**658,321**	319,675
	1,075,275	531,206

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.

17. Deferred income

Daiichi Sankyo upfront licence fee	2018	2017
	£	£
At start of year	**11,860,081**	12,500,000
Recognised in year	**(639,976)**	(639,919)
At end of year	**11,220,105**	11,860,081
Other deferred income	**268,709**	-
	11,488,814	11,860,081
Current	**908,685**	639,976
Non-current	**10,580,129**	11,220,105
	11,488,814	11,860,081

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.

The upfront licensing fee is recognised in accordance with IFRS 15. An analysis of the material obligations of the Group within the licence agreement was conducted, and an estimate of the proportion of the deferred income relevant to each material obligation was calculated. The period over which obligations arise are in a range between 5 and 20 years. 20 years is the minimum term of the patent for Heartcel in Japan (granted in 2017). These estimates are reviewed each year. No change to the estimates is considered necessary in relation to the 2018 financial statements.

18. Called up share capital

Allotted, called up and fully paid

	2018 Number	2017 Number
A Ordinary shares of 1p each		
At start of year	**5,957,064**	1,975,271
Allotted in the year	**122,707**	3,981,793
At end of year	**6,079,771**	5,957,064
B Investment shares of 1p each		
At start of year	**39,128**	12,947
Allotted in the year	**10**	26,181
At end of year	**39,138**	39,128
	6,118,909	5,996,192

	£	£
A Ordinary shares of 1p each	**60,798**	59,571
B Investment shares of 1p each	**391**	391
	61,189	59,962

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.

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 £	Merger reserve £
Balance at 1 August 2016	-	8,882,983
Share capital and premium arising in CTL on the issue of shares for cash prior to share exchange during the year	-	1,123,445
Less expenses of the issue of shares written off	-	(6,615)
Issue of shares in CTL in consideration of patents	-	475,020
Issue of shares in share for share exchange	-	(59,894)
Premium arising on the issue of shares issued since incorporation	283,558	-
Balance at 31 July 2017	283,558	10,414,939
Premium arising on the issue of shares in the year	2,262,524	-
Balance at 31 July 2018	**2,546,082**	**10,414,939**

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 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.

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 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 typically becomes exercisable.

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

Number	Exercise price	Dates exercisable
409,500	£0.33	21 July 2018 to 21 July 2025
421,224	£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
45,000	£8.33	17 October 2019 to 17 October 2026
3,000	£8.33	1 November 2019 to 1 November 2026
15,700	£12.19	1 August 2020 to 1 August 2027

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

		2018		2017
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at beginning of period	**987,024**	**£2.88**	879,024	£1.87
Granted during the period	**77,831**	**£9.10**	156,300	£8.33
Forfeited during the period	**(1,000)**	**£10.67**	(48,300)	£2.22
Exercised during the period	**(1,431)**	**£11.67**	-	-
Outstanding at the end of the period	**1,062,424**	**£3.32**	987,024	£2.88
Exercisable at the end of the period	**409,500**	**£0.33**	-	-

The options outstanding at 31 July 2018 had a weighted average remaining contractual life of approximately 7.6 years (2017: 8.5 years).

Share-based payment reserve

	2018	2017
	£	£
At start of year	**484,384**	89,993
Credit for the year	**600,120**	394,391
At end of year	**1,084,504**	484,384

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:

	2018	2017	2016	2015
Weighted average share price	**9.21**	8.11	4.34	0.33
Weighted average exercise price	**9.10**	8.33	3.33	0.33
Weighted average expected volatility	**25%**	29%	29%	29%
Expected life (years)	**10**	10	10	10
Risk free interest rate	**1.12%**	0.44%	0.44%	0.44%
Expected dividend yields	**0.00%**	0.00%	0.00%	0.00%

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 £27.62 (2017: £33.67) was discounted using published success rates for Phase II to Phase III (2017: 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 £600,120 (2017: £394,391).

22. Financial instruments: information on financial risk

The directors deem that at 31 July 2018 and 2017 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. The Group has no trade receivables and details over recoverability of other receivables is provided in Note 15. The Group's maximum exposure to credit risk is the balance sheet amount.

Liquidity risk
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the 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. See Note 16 for aging profile of liabilities.

23. Operating leases

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

	2018	2017
	£	£
Future minimum lease payments:		
Within one year	**226,498**	139,461
In two to five years	**462,156**	1,472,267
	688,654	1,611,728

During the year £204,513 was recognised as an expense in the income statement in respect of operating leases (2017: £116,852).

24. Related parties

Transactions with key management personnel:

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

[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 total remuneration set-out in Note 7. In addition to the amounts shown above:

Mr Ajan Reginald received benefits of £3,120 and the Group paid pension contributions on his behalf of £36,000.

As at 31 July 2018, the Company's directors and their immediate relatives controlled 74% of the voting shares of the Company(2017: 87% of Cell Therapy Limited).

During his period as an employee, the Group paid pension contributions of £1,244 for Mr Mark Beards who also received other benefits of £967. Subsequent to ceasing to be an employee, Mr Beards undertook a consultancy project for the Group in relation to which Fountainhead Consulting Ltd, a company controlled by Mr Beards, was paid £30,110.

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

Ms Kathryn Fallon, spouse of Mr Ajan Reginald, was employed by the Group and her salary for the year was £43,214 (2017: £42,972). Expenses paid in the year to Ms Fallon included £845 in relation to rent for a property owned by her, for use of a Celixir employee during a temporary relocation (2017: £6,355), charged on an open market, arm's length basis. Expenses of £351 incurred for business purposes were reimbursed (2017: £2,766). Ms Fallon also received pension contributions equal to 2% of salary.

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

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

Dr Darrin Disley, a 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 12, 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, and may be eligible to receive further shares in relation to contingent 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 14 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. Licence granted by CTL to Alliancells Bioscience Co. Ltd

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

26. Events after the balance sheet date

There have been no post balance sheet events.

Company balance sheet

31 July 2018

	Notes	2018 £	2017 £
Non-current assets			
Investments	29	**4,395,339**	10,474,833
		4,395,339	10,474,833
Current assets			
Cash at bank and in hand		**25,013**	283,626
		25,013	283,626
Non-current assets			
Intercompany		**3,007,526**	-
		3,007,526	-
Total assets		**7,427,878**	10,758,459
Non-current liabilities			
Intercompany		**(132,427)**	-
Contingent consideration		**(421,882)**	-
Total liabilities		**(554,309)**	-
Net assets		**6,873,569**	10,758,459
Capital and reserves			
Called up share capital	18	**61,189**	59,962
Share premium	19	**2,622,070**	283,558
Merger reserve	19	**10,414,939**	10,414,939
Treasury shares	20	**(145,134)**	-
Share-based payment reserve	21	**1,084,504**	484,384
Accumulated loss		**(7,163,999)**	(484,384)
Total equity		**6,873,569**	10,758,459

These financial statements were approved by the Board of Directors on 7 January 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 2018

	Share Capital	Share Premium	Merger reserve	Treasury Shares	Share-based Payment	Retained Earnings	Total Equity
	£	£	£	£	£	£	£
On incorporation	1	-		-	-	-	1
On share exchange	59,893	-	10,414,939	-	-	-	10,474,832
Issue of shares (net of issue costs)	68	283,558	-	-	-	-	283,626
Share-based payment	-	-	-	-	484,384	-	484,384
Total comprehensive loss for 2017	-	-	-	-	-	(484,384)	(484,384)
Balance at 31 July 2017	59,962	283,558	10,414,939	-	484,384	(484,384)	10,758,459
Issue of shares (net of issue costs)	**1,227**	**2,338,512**	**-**	**-**	**-**	**-**	**2,339,739**
Treasury shares	**-**	**-**	**-**	**(145,134)**	**-**	**-**	**(145,134)**
Share-based payment	**-**	**-**	**-**	**-**	**600,120**	**-**	**600,120**
Total comprehensive loss for 2018	**-**	**-**	**-**	**-**	**-**	**(6,679,615)**	**(6,679,615)**
Balance at 31 July 2018	**61,189**	**2,622,070**	**10,414,939**	**(145,134)**	**1,084,504**	**(7,163,999)**	**6,873,569**

Notes to the Company financial statements

27. 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. This transition is not considered to have had a material effect on the financial statements.

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

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

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

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

28. Profit/(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 £6,679,615, equal to the loss for the year of the Group, including £600,120 in respect of the Company's share-based payment charge and £6,079,495 relating to provisions against the carrying value of investments, reflecting the net operating costs of the Group's trading subsidiaries in the year.

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

29. Investment in subsidiaries

	£
Cost at 1 August 2017	10,474,833
Additions in year	1
Provision for impairment in the year (Note 28)	(6,079,495)
At 31 July 2018	4,395,339

Details of the Company's subsidiaries at 31 July 2018, are provided in Note 14 to the consolidated financial statements.

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

30. Share capital and share premium

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