

Registered Number 06970743

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



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Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report for the year ended 31 July 2019.

Details of significant events since the balance sheet date are set out in Note 21 to the financial statements.

Principal activities and results

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

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

During the reporting year, the focus of the Company 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.

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

Cell Therapy Limited continues to develop its portfolio of over 100 patent applications, of which to date 31 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 otherwise stated, were as follows:

Professor Sir Martin Evans
Dr Mubasher Sheikh
Mr Ajan Reginald
Celixir plc (appointed 15 January 2019)
Mr David Preston (resigned 15 January 2019)
Dr Sabena Sultan (resigned 15 January 2019)
Dr Lee Chapman (resigned 15 January 2019)
Dr Nigel Scott (resigned 15 January 2019)
Mr Duncan Ribbons (resigned 15 January 2019)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' report (continued)

Political and charitable contributions

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

Results and dividends

The loss for the year after taxation was £2,786,110 (2018: £6,276,207 (*restated*)). This loss was after research and development tax credit claims of £3,057,104 (2018: £351,464), 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.

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 the Company is a going concern and able to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

At 31 July 2019, the Company had cash available of £1.8m. Since the year end, the Company has received an R&D tax credit of £1.2m and incurred cash expenses of approximately £1m, resulting in cash balances of £2m at the date of these financial statements.

The Company 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 Company.

The principal operational objective of the Company 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 licensing 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 licensing income.

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

Directors' report (continued)

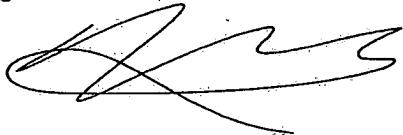
Going concern (continued)

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.

The Company is dependent on financial support from its parent company, Celixir plc. The Directors have obtained written confirmation from Celixir plc that financial support will be provided for a period of not less than 12 months from the date of signing these financial statements. The Directors have assessed the ability of Celixir plc to provide this support and note that at the date of signing of these financial statements Celixir plc has a cash balance of £3.3m to provide financial support.

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

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

Company Number: 06970743

Cell Therapy Limited

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101 "Reduced Disclosure Framework." Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cell Therapy Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 July 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation 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 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 company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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

Other information (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

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

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

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

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

10 December 2019

Statement of comprehensive income

Year ended 31 July 2019

	Notes 1.2	2019 £	2018 <i>Restated</i> £
Continuing operations			
Revenue	3	765,105	715,376
Cost of sales		(170,000)	(75,400)
Gross profit		595,105	639,976
Operating expenses		(5,198,692)	(7,162,173)
Impairment charges	10/13	(1,287,226)	(150,238)
Operating loss	4	(5,890,813)	(6,672,435)
Finance income	7	51,689	50,707
Finance costs		(4,090)	(5,943)
Loss before taxation		(5,843,214)	(6,627,671)
Taxation	8	3,057,104	351,464
Total comprehensive loss for the year		(2,786,110)	(6,276,207)

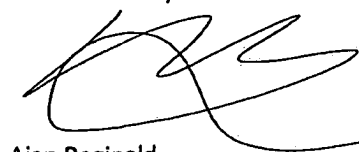
There were no items of other comprehensive income or loss in either the current or prior year.

Balance sheet

31 July 2019

	Notes 1.2	2019 £	2018 <i>Restated</i> £
Non-current assets			
Property, plant and equipment	9	362,565	612,413
Intangible assets	10	720,971	761,443
Investments	11	8,188	8,029
		1,091,724	1,381,885
Current assets			
Other receivables	13	2,432,388	3,060,972
Cash at bank and in hand		1,791,376	5,228,467
Research and development tax credit		2,090,507	351,464
		6,314,271	8,640,903
Total assets		7,405,995	10,022,788
Current liabilities			
Trade and other payables	14	(3,866,545)	(3,294,541)
Deferred income	15	(625,000)	(639,976)
		(4,491,545)	(3,934,517)
Net current assets		1,822,726	4,706,386
Non-current liabilities			
Intercompany		-	(64)
Deferred income	15	(10,000,000)	(10,580,129)
Provisions	16	(60,000)	-
		(10,060,000)	(10,580,193)
Total liabilities		(14,551,545)	(14,514,710)
Net liabilities		(7,145,550)	(4,491,922)
Equity			
Called up share capital	17	19,965	19,965
Share premium		10,454,868	10,454,868
Capital contribution reserve	18	1,148,975	1,016,493
Accumulated losses		(18,769,358)	(15,983,248)
Total equity		(7,145,550)	(4,491,922)

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



Ajan Reginald
Director

Statement of changes in equity

Year ended 31 July 2019

	Notes	Called-up share capital £	Share premium £	Capital contribution reserve £	Accumulated losses £	Total equity £
Balance at 1 August 2017		19,965	10,454,868	484,384	(9,707,041)	1,252,176
Share-based payment	1.2/18	-	-	532,109	-	532,109
Total comprehensive loss for the year		-	-	-	(6,276,207)	(6,276,207)
Balance at 31 July 2018 restated	1.2	19,965	10,454,868	1,016,493	(15,983,248)	(4,491,922)
Share-based payment	18	-	-	132,482	-	132,482
Total comprehensive loss for the year		-	-	-	(2,786,110)	(2,786,110)
Balance at 31 July 2019		19,965	10,454,868	1,148,975	(18,769,358)	(7,145,550)

Notes to the financial statements

1. Accounting policies

1.1 Basis for preparation

Cell Therapy Limited (the "Company"), registered number 06970743, is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2016 and domiciled in England and Wales. The address of the registered office is Celixir House, Innovation Way, Stratford-upon-Avon CV37 7GZ.

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

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

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

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

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

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

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

1. Accounting policies (continued)

1.1 Basis for preparation (continued)

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	-	715,376	715,376
Other operating income	718,302	(718,302)	-
Operating expenses	7,237,573	(75,400)	7,162,173
Cost of sales	-	75,400	75,400
Capital and reserves			
Capital contribution reserve	484,384	532,109	1,016,493

In April 2017, the Company modified its employee share option plan such that each pre-existing options ("the former options") granted to CTL employees were cancelled and concurrently replaced with three new options 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.

CTL appropriately recognised the share-based payment expense for the balance of 2017 but did not record any share-based payment expense during 2018. This accounting treatment was incorrect as, applying the requirements applicable to share-based compensation arrangements, CTL should have continued to recognise share-based payment expense in respect of the plan.

Accordingly, the Company has recorded a correcting entry to restate the 2018 amounts by increasing the share-based payment expense (and increasing the loss before tax for the year) by £532,109. The corresponding side of the entry results in an increase in the capital contribution reserve of the same amount.

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. Accounting policies (continued)

1.3 Going concern (continued)

The Company's financial statements show a loss after tax for the year of £2,786,110 (2018: loss of £6,276,207) and net liabilities of £7,145,550 (2018: net liabilities of £4,491,922).

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

The directors have prepared these financial statements on the basis that Cell Therapy Limited is a going concern and able to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

The Celixir Group has a good track record of raising equity funding, is targeting to raise additional funds in 2020 and is in discussions 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 Company.

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

Celixir plc, in providing this support, have prepared working capital projections to December 2020 which demonstrate that it expects to have sufficient cash available, to allow the Group to provide this continued financial support.

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.

The Company is dependent on financial support from its parent company, Celixir plc. The Directors have obtained written confirmation from Celixir plc that financial support will be provided for a period of not less than 12 months from the date of signing these financial statements. The Directors have assessed the ability of Celixir plc to provide this support and note that at the date of signing of these financial statements Celixir plc has a cash balance of £3.3m to provide financial support.

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

1. Accounting policies (continued)

1.4 Foreign currencies

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

1.5 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 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 Company and the amount of revenue can be measured reliably).

Time-based royalties are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

1.6 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.

1.7 Financing income and expenses

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

1.8 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

1. Accounting policies (continued)

1.8 Taxation (continued)

of previous years. The Company is 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.

1.9 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)
Laboratory 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.

1.10 Intangible assets

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

1. Accounting policies (continued)

1.10 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. 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 Company intends and has the technical ability and sufficient resources to complete development; future economic benefits are probable and if the expenditure attributable to the intangible asset during its development can be reliably measured. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is expensed as incurred.

Amortisation

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

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. If the carrying amount of an asset exceeds its estimated recoverable amount an impairment loss is recognised and expensed.

1.11 Share-based payments

The parent company, Celixir plc, issues equity settled share options to certain employees of the Group, and the Company. Full details of the scheme are set out in the financial statements of Celixir plc. The Black-Scholes option model is used to estimate the fair value of each option at date of grant. The fair value relating to Company employees participating in the scheme is expensed on a straight-line basis over the vesting period, based on the parent company's estimate of the shares that will eventually vest.

The 2018 charge was previously recognised in full in the financial statements of Celixir plc (the parent company). This has been reclassified in the 2019 financial statements to split the charge between the parent company and Cell Therapy Limited. See Note 1.2 for details.

1. Accounting policies (continued)

1.12 Financial instruments

Classification of financial instruments issued by the Company

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

- a) they include no contractual obligations on the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

To the extent that this definition is not met, the financial instrument is classified as a financial liability. Where the financial liability is in the form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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.

1.13 Adopted IFRS not yet applied

Standards, amendments and interpretations effective in 2019 and adopted by the Company

The following standards were relevant to the Company 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 Company has adopted IFRS 9 with effect from 1 August 2018 and has amended its accounting policies accordingly.

At the balance sheet date, the Company'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 Company is the requirement to impair financial assets

1. Accounting policies (continued)

1.13 Adopted IFRS not yet applied (continued)

under the new IFRS 9 expected credit loss model. The Company'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.

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.

The Company 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 Company'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 Company

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

Standards, amendments and interpretations not yet adopted by the Company

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 Company 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 Company 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)

1.13 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 Company 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 Company 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 Company in future years.

2. 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 other intangible assets

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

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 £720,971.

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

Revenue recognition

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

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. 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
	765,105	715,376

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

4. Operating loss

Operating loss (restated in 2018 comparatives) is stated after charging/(crediting):

	2019 £	2018 £
Research and development expenditure	3,018,046	3,622,038
Depreciation of property, plant and equipment	278,091	277,404
Amortisation of intangible assets	39,296	32,120
Loss on disposal of property, plant and equipment	270	-
Share based payment charge	132,482	532,109
Operating lease rentals (Note 19)	145,595	176,305
Foreign exchange (gain)/loss	(40,883)	8,077
<i>Auditor's remuneration:</i>		
Audit of these financial statements	40,000	42,170
<i>Amounts receivable by the Company's auditor and its associates in respect of:</i>		
Tax compliance services	6,000	11,000

The remuneration of the auditor for the provision of statutory audit services £65,000 has been met by the parent company.

5. Employees

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

	2019	2018
Average number of employees:		
Research	15	21
Administrative	16	15
	31	36

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	<i>Restated</i> £
Wages and salaries	1,859,534	2,779,288
Social security costs	214,845	251,518
Other pension costs	56,946	120,071
Share-based payment charge	132,482	532,109
	2,248,481	3,682,986

6. Directors' remuneration

	2019			2018		
	Basic pay	Benefits	Total	Basic pay	Benefits	Total
	£	£	£	£	£	£
Aggregate emoluments	718,782	51,531	770,313	1,400,580	118,027	1,518,607

The total emoluments for the highest 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.

7. Finance income

	2019	2018
	£	£
Interest on bank deposits	23,205	32,944
Interest on loans	28,484	17,763
	51,689	50,707

8. Taxation

	2019 £	2018 £
Research and development tax credit	(923,759)	(351,464)
Adjustments in respect of prior years	(2,133,345)	-
	(3,057,104)	(351,464)

Reconciliation of effective tax rate

	2019 £	2018 <i>Restated</i> £
Loss for the year	(5,843,214)	(6,627,671)
Tax using the UK corporation tax rate of 19% (2018: 19%)	(1,110,211)	(1,259,257)
Current year losses for which no deferred tax asset was recognised	1,110,211	1,259,257
Adjustments in respect of R&D credit in prior years	(2,133,345)	-
Research and development tax credit	(923,759)	(351,464)
	(3,057,104)	(351,464)

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

	£
Tax losses as at 1 August 2018	(14,909,479)
Tax losses surrendered	21,083,469
Loss for the year	(5,843,214)
Enhanced deduction and other differences	(10,290,985)
Estimated tax losses as at 31 July 2019	(9,960,209)

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

9. Property, plant and equipment

	Leasehold Improve- ments	Office and Laboratory Equipment	Fixtures & Fittings	Motor Vehicles	Total
	£	£	£	£	£
Cost					
As at 1 August 2017	11,228	196,397	13,017	191,810	412,452
Additions	484,126	130,251	1,186	-	615,563
Disposals	-	-	-	(105,430)	(105,430)
As at 31 July 2018	495,354	326,648	14,203	86,380	922,585
Additions	2,944	27,027	220	-	30,191
Disposals	-	(6,083)	-	-	(6,083)
As at 31 July 2019	498,298	347,592	14,423	86,380	946,693
Accumulated depreciation					
As at 1 August 2017	-	26,972	432	37,579	64,983
Charge in year	99,085	92,917	4,386	81,016	277,404
Disposals	-	-	-	(32,215)	(32,215)
As at 31 July 2018	99,085	119,889	4,818	86,380	310,172
Charge in year	164,472	108,655	4,964	-	278,091
Disposals	-	(4,135)	-	-	(4,135)
As at 31 July 2019	263,557	224,409	9,782	86,380	584,128
Carrying amount					
At 31 July 2019	234,741	123,183	4,641	-	362,565
At 31 July 2018	396,269	206,759	9,385	-	612,413

10. Intangible assets

	Patents & Trademarks	Software	Total
	£	£	£
Cost			
As at 1 August 2017	736,342	4,853	741,195
Additions	225,517	-	225,517
As at 31 July 2018	961,859	4,853	966,712
Additions	190,595	-	190,595
As at 31 July 2019	1,152,454	4,853	1,157,307
Amortisation and impairment			
As at 1 August 2017	21,604	1,307	22,911
Amortisation for the year	30,538	1,582	32,120
Impairment charge	148,274	1,964	150,238
As at 31 July 2018	200,416	4,853	205,269
Amortisation for the year	39,296	-	39,296
Impairment charge	191,771	-	191,771
As at 31 July 2019	431,483	4,853	436,336
Carrying amount			
As at 31 July 2019	720,971	-	720,971
As at 31 July 2018	761,443	-	761,443

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 (2018: £150,238) has been recognised for certain patent applications and trademarks which the Company 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 Company's principal patent applications which are in the process of being granted.

The carrying values and remaining amortisation periods of the Company'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

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11. Investments in subsidiaries

	£
Carrying value at 1 August 2018	8,029
Movement due to foreign exchange	159
Carrying value at 31 July 2019	8,188

12. Subsidiaries

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

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

Registered addresses:

- Celixir House, Innovation Way, Stratford Upon Avon, CV37 7GZ, UK
- 6th KLM Thermis-Charilaou, 57001, DROSIA 1B, Greece
- 1 North Bridge Road #10-09, High Street Centre, Singapore

13. Other receivables

	2019 £	2018 £
Less than one year		
Intercompany amounts owed	974,403	1,235,626
Prepayments	156,760	222,544
Taxation and social security	33,209	63,715
Other receivables	701	274
	1,165,073	1,522,159
More than one year		
Intercompany amounts owed	1,267,315	1,538,813
	2,432,388	3,060,972

13. Other receivables (continued)

The directors consider that the carrying amount of prepayments and trade and other receivables is approximately equal to their fair value. Intercompany amounts due in less than one year are repayable on request.

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

	2019 £	2018 £
Intercompany receivables due in less than one year	1,240,876	1,235,626
Expected credit losses	(266,473)	-
Net intercompany receivables due in less than one year	974,403	1,235,626
Intercompany receivables due in more than one year	2,096,297	1,538,813
Expected credit losses	(828,982)	-
Net intercompany receivables due in more than one year	1,267,315	1,538,813

14. Trade and other payables

	2019 £	2018 £
Less than one year		
Trade payables	219,719	308,629
Director's loans	8,735	-
Non-trade payables and accrued expenses	759,164	550,619
Intercompany amounts owed	715,477	271,843
Owed to parent company	2,163,450	2,163,450
	3,866,545	3,294,541
More than one year		
Intercompany amounts owed	-	64
	-	64

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

15. Deferred income

Daiichi Sankyo upfront licence fee	2019 £	2018 £
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
Current	625,000	639,976
Non-current	10,000,000	10,580,129
	10,625,000	11,220,105

In April 2016, the Company granted a Japan licence for its innovative cardiac regeneration medicine, Heartcel (28mmune-modulatory progenitor [iMP] cells) to Daiichi Sankyo. Daiichi Sankyo are undertaking all development, regulatory and commercial activities for iMP cells in the territory of Japan only, with the Company retaining worldwide rights outside of Japan, together with global manufacturing responsibilities. Under the terms of the agreement, the Company received a £12.5 million upfront non-refundable license fee and there are potential additional milestone payments and royalties.

16. Provisions

Cost	Dilapidations £
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 Company's leased properties to their original condition.

17. Called up share capital

Allotted, called up and fully paid:

At 1 August 2018 and 31 July 2019:	Number
A Ordinary shares of 1p each	1,983,437
B Investment shares of 1p each	13,046
	1,996,483
At 1 August 2018 and 31 July 2019:	£
A Ordinary shares of 1p each	19,835
B Investment shares of 1p each	130
	19,965

17. Called up share capital (continued)

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.

18. Capital contribution reserve

Celixir plc, the Company's parent, operates a share option scheme in which certain employees, including those of the Company, participate. Full details of the scheme are set out in the financial statements of Celixir plc.

The charge to the statement of comprehensive income and corresponding credit to the capital contribution reserve, in relation to the Company's employees participating in the scheme, is as follows:

	Notes 1.2	2019 £	2018 <i>Restated</i> £
At start of year		1,016,493	484,384
Credit for the year		132,482	532,109
At end of year		1,148,975	1,016,493

The 2018 charge was previously recognised in the financial statements of Celixir plc (the parent company) but has been reclassified in these financial statements as a charge of the Company.

19. Operating leases

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

	2019 £	2018 £
Future minimum lease payments:		
Within one year	165,000	171,451
In two to five years	293,271	458,271
	458,271	629,722

During the year £145,595 was recognised as an expense in the income statement in respect of operating leases (2018: £176,305).

20. Related parties

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

	2019		2018	
	Consultancy fees	Paid or accrued expenses	Consultancy fees	Paid or accrued expenses
<i>Executive</i>				
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
<i>Celixir plc Non-executive directors</i>				
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
<i>Other related parties</i>				
Kathryn Fallon	-	-	-	1,196

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

The table above excludes amounts paid as salaries, pensions and other benefits details of which, for the directors of the company, are set out in Note 6.

In addition to the amounts shown above:

As at 31 July 2019, a director's loan balance of £8,735 (2018: £nil) was owed to Mr Ajan Reginald.

Mr Anthony Bird, who is a director of The Bird Group and also served as 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 Celixir 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.

20. Related parties (continued)

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

21. 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 8, was received.