Registered Number 06970743

Cell Therapy Limited

Annual report and financial statements for the year ended 31 July 2020

Contents

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 2020.

Details of significant events since the statement of financial position 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 period, and despite the ongoing Covid-19 pandemic, the focus of the Company has been on establishing a clinical trial of its lead product, Heartcel, including interacting with the Health Research Authority (HRA), the Medical and Healthcare products Regulatory Agency (MHRA) and the Royal Brompton and Harefield NHS Foundation Trust. The first patient was treated on 16 March 2020, but ongoing disruption meant the Heartcel trial at the Royal Brompton and Harefield NHS Foundation Trust was first halted and then formally stopped. Given this, the Company has focused on securing trial sites and appropriate regulatory approvals in Europe. This will be the principal focus of the Company for 2020/21 with the aim of commencing trials in Q4 2020 with interim data by the end of Q1 2021, assuming no further delays.

As the lead product, the Company's resources continue to be focused on the development of Heartcel, which the Board believes is likely to deliver the best value for shareholders. In financial year 18/19, the Group divested certain non-core assets into newly-created, independent entities, and the *in vivo* experiments undertaken by both companies after initially being delayed by Covid-19 recommenced in Q2 2020, being completed on schedule and reporting positive data.

Daiichi Sankyo continues to progress the development of Heartcel for the Japanese market, through the licensing partnership entered into in 2016 and Cell Therapy Limited continues to develop its portfolio of over 50 patent applications, of which to date 35 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

Directors' report (continued)

Disclosure of information to auditor

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

Political and charitable contributions

The Company made no political donations or incurred any political expenditure during the year (2019: £nil). The Company made charitable donations of £5,000 during the year (2019: £44,000).

Results and dividends

The loss for the year after taxation was £2,076,397 (2019: £2,792,205 (*restated*)). This loss was after research and development tax credit claims of £696,265 (2019: £3,057,104). No dividend for the year has been paid or is proposed (2019: £nil).

Auditor

Grenfell James Audit 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.

The ability of the Company to continue operations in its current capacity is dependent on additional equity finance being raised, which will depend on data from the clinical trial. Discussions with prospective investors are in progress. In addition, opportunities continue to be considered to build on the out-licensing of Heartcel to Daiichi Sankyo for Japan, by out-licensing 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 IIB clinical trial for Heartcel in Europe; positive data from which would be expected to result in significant interest from prospective investors and licensing partners.

Directors' report (continued)

Going concern (continued)

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. In the absence of additional funding being secured, there would be a focus on supporting the development of Heartcel in Japan by Daiichi Sankyo, and the directors would implement further cost savings to keep operations running at a reduced capacity, including headcount reductions, trial cost and other overhead savings.

The directors have prepared working capital projections for the range of scenarios referred to above, all of which demonstrate that the Company is able to meet its liabilities as they fall due for the period to 31 December 2021, whilst continuing to deliver its principal operational objective.

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 will, if necessary, 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 £1.5m 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.

Directors' report (continued)

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.

Signed on behalf of the Board of Directors

Ajan Reginald
Director

Cell Therapy Limited
Celixir House, Innovation Way
Stratford Upon Avon
CV37 7GZ
17th November 2020

Company Number: 06970743

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

Report on the audit of the financial statements

1.1 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 2020 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 statement of financial position;
- 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.

1.2 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.

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

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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.

Edward Grenfell James (Senior Statutory Auditor)
For and on behalf of Grenfell James Audit LLP
13 The Courtyard
Timothy's Bridge Road
Stratford-upon-Avon
Warwickshire
CV37 9NP
Date:

Statement of comprehensive income
Year ended 31 July 2020

	Notes	2020	2019 *Restated*
		£	£
Continuing operations			
Revenue	3	**664,324**	765,105
Cost of sales		**-**	(170,000)
Gross profit		**664,324**	595,105
Operating expenses		**(3,197,096)**	(5,180,360)
Impairment charges	10/13	**(246,371)**	(1,287,226)
Operating loss	4	**(2,779,143)**	(5,872,481)
Finance income	7	**17,268**	51,689
Finance costs		**(10,871)**	(28,517)
Loss before taxation		**(2,772,746)**	(5,849,309)
Taxation	8	**696,349**	3,057,104
Total comprehensive loss for the year		**(2,076,397)**	(2,792,205)

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

Statement of financial position

31 July 2020

	Notes	2020	2019 *Restated*
		£	£
Non-current assets			
Property, plant and equipment	9	**340,484**	719,073
Intangible assets	10	**746,930**	720,971
Investments	11	**8,113**	8,188
		1,095,527	1,448,232
Current assets			
Other receivables	13	**1,948,789**	2,432,388
Cash at bank and in hand		**871,865**	1,791,376
Research and development tax credit		**696,266**	2,090,507
		3,516,920	6,314,271
Total assets		**4,612,447**	7,762,503
Current liabilities			
Trade and other payables	14	**(3,383,489)**	(3,940,896)
Deferred income	15	**(625,000)**	(625,000)
		(4,008,489)	(4,565,896)
Net current (liabilities) / assets		**(491,569)**	1,748,375
Non-current liabilities			
Intercompany	14	**(553)**	-
Deferred income	15	**(9,375,000)**	(10,000,000)
Other financial liabilities	14	**(194,149)**	(250,886)
Provisions	16	**(75,000)**	(60,000)
		(9,644,702)	(10,310,886)
Total liabilities		**(13,653,191)**	(14,876,782)
Net liabilities		**(9,040,744)**	(7,114,279)
Equity			
Called up share capital	17	**19,965**	19,965
Share premium		**10,454,868**	10,454,868
Capital contribution reserve	18	**1,298,907**	1,148,975
Accumulated losses		**(20,814,484)**	(18,738,087)
Total equity		**(9,040,744)**	(7,114,279)

These financial statements were approved by the Board of Directors on 17th November 2020 and were signed on its behalf by:

Ajan Reginald
Director

Statement of changes in equity

Year ended 31 July 2020

	Note	Called-up share capital	Share premium	Capital contribution reserve	Accumulated losses	**Total equity**
		£	£	£	£	£
Balance at 1 August 2018 *restated*		19,965	10,454,868	1,016,493	(15,945,882)	**(4,454,556)**
Share-based payment	18	-	-	132,482	-	**132,482**
Total comprehensive loss for the year		-	-	-	(2,792,205)	**(2,792,205)**
Balance at 31 July 2019		19,965	10,454,868	1,148,975	(18,738,087)	**(7,114,279)**
Share-based payment	18	-	-	149,932	-	**149,932**
Total comprehensive loss for the year		-	-	-	(2,076,397)	**(2,076,397)**
Balance at 31 July 2020		**19,965**	**10,454,868**	**1,298,907**	**(20,814,484)**	**(9,040,744)**

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 2019 as previously stated (£)	31 July 2019 adjustment (£)	**31 July 2019 restated (£)**
Statement of comprehensive income			
Operating expenses	5,198,692	(18,332)	**5,180,360**
Finance expenses	4,090	24,427	**28,517**
Statement of financial position			
Non-current assets			
Property, Plant and equipment	362,565	356,508	**719,073**
Current liabilities			
Trade and other payables	3,866,545	74,351	**3,940,896**
Non-current liabilities			
Other financial liabilities	-	250,886	**250,886**
Capital and reserves			
Accumulated loss	(18,769,358)	31,271	**(18,738,087)**

On 1 August 2019 the Company adopted the changes in IFRS 16 in relation to the recognition of finance leases. The comparatives for the relevant items in the statement of comprehensive income and statement of financial position have therefore been adjusted as shown. Please refer to Note 19 for full disclosure.

1.3 Going concern

The Company's financial statements show a loss after tax for the year of £2,076,397 (2019: loss £2,792,205 *(restated)*) and net liabilities of £9,040,744 (2019: net liabilities £7,114,279 *(restated)*).

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.

1. Accounting policies (continued)

1.3 Going Concern (continued)

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 13 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 2021 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 a reasonable lead time in which to assess the likelihood of additional funding being available and will, if necessary, 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 £1.5m 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.

1.4 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Company at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position 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. Accounting policies (continued)

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 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.

1. Accounting policies (continued)

1.8 Taxation (continued)

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 statement of financial position. 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
Right-of-Use asset	5 years

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position 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.

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.

1. Accounting policies (continued)

1.10 Intangible assets (continued)

Costs associated with software are carried at cost and amortised over a period of 2-5 years. Expenditure on research activities is recognised in the 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.

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 investment is classified as a financial liability. Where the financial liability is in the form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

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 IFRS amendments

<u>Standards, amendments and interpretations effective in 2019/20 and adopted by the Company</u>

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

At the statement of financial position 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 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.

1. Accounting policies (continued)

1.13 IFRS amendments (continued)

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 only.

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 statement of financial position date.

IFRS 16 is effective from 1 August 2019 and changes lease accounting for lessees under operating leases. This requires recognition of an asset, representing the right to use the leased item, and a liability, representing future lease payments. Lease costs such as rents are recognised as depreciation and interest, rather than as an operating cost. See note 19 for full disclosure.

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

Prior year comparatives have been restated to recognise lease transactions in line with the revised standard.

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 have increased.

There will be no change to cash outflows.

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 Group will continue to expense the lease payments on a straight line basis over the lease term.

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 2020, the carrying amount of patents and trademarks, subject to this judgement, was £746,930.

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, 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 2020/21 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

	2020	2019
	£	£
Daiichi Sankyo upfront licence fee recognised in year	**625,000**	595,105
Sale of clinical products for research purposes	**-**	170,000
Other revenue	**39,324**	-
	664,324	765,105

4. Operating loss

Operating loss is stated after charging/(crediting):

	2020 £	2019 £
Research and development expenditure	**2,350,379**	3,018,046
Depreciation of property, plant and equipment	**381,783**	399,932
Amortisation of intangible assets	**54,202**	39,296
Impairment of intangible assets	**132,480**	191,771
Loss on disposal of property, plant and equipment	**-**	270
Share based payment charge	**149,932**	132,482
Foreign exchange (gain)/loss	**(4,094)**	(40,883)
Auditor's remuneration:		
Audit of these financial statements	**20,000**	40,000
Amounts receivable by the Company's auditor and its associates in respect of:		
Tax compliance services	**5,000**	6,000

The remuneration of the auditor for the provision of statutory audit services £25,000 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:

	2020	2019
Average number of employees:		
Research	**8**	15
Administrative	**8**	16
	16	31

The aggregate payroll costs of these persons were as follows:

	2020 £	2019 £
Wages and salaries	**949,944**	1,844,208
Social security costs	**102,919**	214,845
Other pension costs	**54,084**	56,946
Share-based payment charge	**(10,651)**	132,482
	1,096,296	2,248,481

6. Directors' remuneration

	2020			2019		
	Basic pay	**Benefits**	**Total**	Basic pay	Benefits	Total
	£	**£**	**£**	£	£	£
Aggregate emoluments	**292,166**	**41,836**	**334,002**	718,782	51,531	770,313

The total emoluments for the highest paid director were £332,336 (2019: £356,705), including basic pay of £290,500 (2019: £316,667), pension contributions of £36,000 (2019: £36,000) and other benefits of £5,836 (2019: £4,038). There were no pension arrangements in place for any other director.

A share based payment charge of £9,394 in relation to share options granted to directors has been recognised in the Statement of Comprehensive Income

7. Finance income

	2020	2019
	£	£
Interest on bank deposits	**1,244**	23,205
Interest on loans	**16,024**	28,484
	17,268	51,689

8. Taxation

	2020	2019
	£	£
Research and development tax credit	**(696,349)**	(923,759)
Adjustments in respect of prior years	**-**	(2,133,345)
	(696,349)	(3,057,104)

Reconciliation of effective tax rate

	2020	2019
	£	£
Loss for the year	**(2,772,746)**	(5,843,214)
Tax using the UK corporation tax rate of 19% (2019: 19%)	**(526,822)**	(1,110,211)
Current year losses for which no deferred tax asset was recognised	**526,822**	1,110,211
Adjustments in respect of R&D credit in prior years	**-**	(2,133,345)
Research and development tax credit	**(696,349)**	(923,759)
	(696,349)	(3,057,104)

8. Taxation (continued)

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

	£
Tax losses as at 1 August 2019	**(9,599,128)**
Tax losses surrendered	**4,901,598**
Loss for the year	**(2,772,746)**
Enhanced deduction and other differences	**(2,605,070)**
Estimated tax losses as at 31 July 2020	**(10,075,346)**

9. Property, plant and equipment

	Right-of-use asset	Leasehold Improve-ments	Office and Laboratory Equipment	Fixtures & Fittings	Motor Vehicles	**Total**
	£	£	£	£	£	£
Cost						
As at 1 August 2018	609,536	495,354	326,648	14,203	86,380	**1,532,121**
Additions	-	2,944	27,027	220	-	**30,191**
Disposals	-	-	(6,083)	-	-	**(6,083)**
As at 31 July 2019	609,536	498,298	347,592	14,423	86,380	**1,556,229**
Additions	-	3,265	-	-	-	**3,265**
Disposals	-	-	(2,392)	-	(86,380)	**(88,772)**
As at 31 July 2020	**609,536**	**501,563**	**345,200**	**14,423**	-	**1,470,722**
Accumulated depreciation						
As at 1 August 2018	131,187	99,085	119,889	4,818	86,380	**441,359**
Charge in year	121,841	164,472	108,655	4,964	-	**399,932**
Disposals	-	-	(4,135)	-	-	**(4,135)**
As at 31 July 2019	253,028	263,557	224,409	9,782	86,380	**837,156**
Charge in year	122,173	165,604	89,787	4,219	-	**381,783**
Disposals	-	-	(2,321)	-	(86,380)	**(88,701)**
As at 31 July 2020	**375,201**	**429,161**	**311,875**	**14,001**	-	**1,130,238**
Carrying amount						
At 31 July 2020	**234,335**	**72,402**	**33,325**	**422**	-	**340,484**
At 31 July 2019	356,508	234,741	123,183	4,641	-	**719,073**

The comparatives have been restated following the adoption of IFRS16: *Leases*, which requires a Right-of-use asset to be recognised from date of inception of the lease.

10. Intangible assets

	Patents & Trademarks £	Software £	Total £
Cost			
As at 1 August 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**
Additions	212,641	-	**212,641**
As at 31 July 2020	**1,365,095**	**4,853**	**1,369,948**
Amortisation and impairment			
As at 1 August 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**
Amortisation for the year	54,202	-	**54,202**
Impairment charge	132,480	-	**132,480**
As at 31 July 2020	**618,165**	**4,853**	**623,018**
Carrying amount			
As at 31 July 2020	**746,930**	**-**	**746,930**
As at 31 July 2019	720,971	-	720,971

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 2020, an impairment charge of £132,480 (2019: £191,771) 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 2020	Remaining amortisation period (years)
IMP1	Immuno-modulatory progenitor cell	262,275	15
PML	Progenitor cells of mesodermal lineage	252,262	12

11. Investments in subsidiaries

	£
Carrying value at 1 August 2019	8,188
Movement due to foreign exchange	(75)
Carrying value at 31 July 2020	**8,113**

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	99%
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%
Bioreactor Corporation 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

13. Other receivables

	2020 £	2019 £
Less than one year		
Intercompany amounts owed	**889,276**	974,403
Prepayments	**157,783**	156,760
Taxation and social security	**2,108**	33,209
Other receivables	**75,550**	701
	1,124,717	1,165,073
More than one year		
Finance lease receivable	**78,571**	-
Intercompany amounts owed	**745,501**	1,267,315
	1,948,789	2,432,388

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:

	2020 £	2019 £
Intercompany receivables due in less than one year	**889,276**	1,240,876
Expected credit losses	**-**	(266,473)
Net intercompany receivables due in less than one year	**889,276**	974,403
Intercompany receivables due in more than one year	**859,392**	2,096,297
Expected credit losses	**(113,891)**	(828,982)
Net intercompany receivables due in more than one year	**745,501**	1,267,315

14. Trade and other payables

	2020 £	2019 £ *Restated*
Less than one year		
Trade payables	**113,618**	219,719
Director's loans	**932**	8,735
Taxation and social security	**36,023**	77,085
Non-trade payables and accrued expenses	**527,727**	756,430
Intercompany amounts owed	**541,738**	715,477
Owed to parent company	**2,163,450**	2,163,450
	3,383,488	3,940,896
More than one year		
Finance lease liability	**194,149**	250,886
Intercompany amounts owed	**553**	-
	194,702	250,886

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	2020	2019
	£	£
At start of year	**10,625,000**	11,220,105
Recognised in year	**(625,000)**	(595,105)
At end of year	**10,000,000**	10,625,000
Current	**625,000**	625,000
Non-current	**9,375,000**	10,000,000
	10,000,000	10,625,000

In April 2016, the Company granted a Japan licence for its innovative cardiac regeneration medicine, Heartcel (immune-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

	Dilapidations
Cost	**£**
At 1 August 2019	60,000
Additional provision in the year	15,000
At 31 July 2020	**75,000**

The provision represents management's best estimate of the potential costs to reinstate the Company's leased property to its original condition.

17. Called up share capital

Allotted, called up and fully paid:

At 1 August 2019 and 31 July 2020:	Number
A Ordinary shares of 1p each	1,983,437
B Investment shares of 1p each	13,046
	1,996,483

At 1 August 2019 and 31 July 2020:	£
A Ordinary shares of 1p each	19,835
B Investment shares of 1p each	130
	19,965

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, are shown in the table below.

An additional £160,583 has been charged to the Statement of Comprehensive Income, relating to a payment to a supplier that was settled in shares in the parent company, Celixir plc.

	2020	2019
	£	£
At start of year	1,148,975	1,016,493
Credit for the year – share option scheme	(10,651)	132,482
Credit for the year – share-based supplier payment	160,583	-
At end of year	1,298,907	1,148,975

19. Leases

IFRS 16 is effective for the Company from 1 August 2019 and has changed lease accounting for lessees under operating leases. The new standard requires recognition of an asset, representing the right to use the leased item, and a liability, representing future lease payments. Lease costs such as rents are required to be recognised as depreciation and interest, rather than as an operating cost.

The Company adopted IFRS 16 on 1 August 2019 and has taken a modified retrospective approach with the "right of use" (RoU) asset equal to the lease liability at transition date, less any lease incentives received.

19.1 The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

19. Leases (continued)

19.1 The Company as lessee (continued)

The Company did not make any such adjustments during the periods presented.

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

19.2 The Company as lessor

The Company entered into a 3 year lease agreement as a lessor with respect to a portion of its UK property, which has been classified as a finance lease.

Amounts due from the lessee under this finance lease are recognised as a receivable at the amount of the Company's net investment in the lease. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the lease.

	2020 £	2019 £
Current finance lease receivable	**74,830**	-
Non-current finance lease receivable	**78,571**	-
	153,401	-

Maturity analysis

	2020 £	2019 £
Year 1	**74,830**	-
Year 2	**78,571**	-
	153,401	-
Lease payments	**165,000**	-
Less: unearned finance income	**(11,599)**	-
Present value of minimum lease payments receivable	**153,401**	-
Net investment in lease	**153,401**	-

19. Leases (continued)

19.3 The Company as lessee

The Company leases one property in the UK.

	Buildings	Total
	£	£
Net carrying amount		
31 July 2019 (restated)	**356,508**	356,508
31 July 2020	**234,335**	234,335
Depreciation expenses on right-of-use assets		
31 July 2019 (restated)	**121,841**	121,841
31 July 2020	**122,173**	122,173

Amounts recognised in profit and loss	2020	2019
	£	£
Depreciation expenses on right-of-use assets	**122,173**	121,841
Interest expense on lease liabilities	**18,640**	24,427
	140,813	146,268

The total cash outflow for the lease amounts to £165,000 (2019: £165,000).

Lease liabilities

	2020	2019
	£	£
		(restated)
Non-current	**123,257**	250,886
Current	**127,629**	121,917
	250,886	372,803

Maturity analysis

	2020	2019
	£	£
		(restated)
Not later than 1 year	**127,629**	121,917
Later than 1 year and not later than 5 years	**123,257**	250,886
	250,886	372,803

The company does not face a significant liquidity risk with regard to its lease liabilities.

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:

	2020		2019	
	Consultancy fees	**Paid or accrued expenses**	**Consultancy fees**	**Paid or accrued expenses**
Executive directors				
Professor Sir Martin Evans[1]	-	-	-	402
Ajan Reginald[1]	-	**9,342**	-	10,001
David Preston *(resigned 15 January 2019)*[2]	-	-	32,750	-
Dr Sabena Sultan *(resigned 15 January 2019)*[2]	-	-	-	1,199
Dr Lee Chapman *(resigned 15 January 2019)*[2]	-	-	-	90
Duncan Ribbons *(resigned 15 January 2019)*[2]	-	-	-	644
Celixir plc Non-executive directors				
Dr Darrin Disley	-	-	25,000	-
Chaim Hurvitz	-	-	25,000	-
Conor Kehoe *(resigned 1 February 2019)*	-	-	-	80

[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 2020, a director's loan balance of £932 (2019: £8,735) was owed to Mr Ajan Reginald.

Ms Kathryn Fallon, spouse of Mr Ajan Reginald, was employed by Cell Therapy Limited and her salary for the year was £28,848 (2019: £38,278). Ms Fallon also received pension contributions equal to 2% (2019: 2%) of salary.

Mrs Zita Sheikh, spouse of Mr Mubasher Sheikh, was employed by the Group for which she received a salary of £2,500 (2019: £2,500).

21. Events after the statement of financial position date

No events to disclose.