

Company no. 06877046



CALCITECH EUROPE LTD.

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**for the year ended 31 December 2018**





**CalciTech Europe Ltd.**

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**CalciTech Europe Ltd.**

## **Company Information**

Directors	R.A. Leopard (Chairman) G. Long
Co Secretary	G. Long
Company number	06877046
Registered office	c/o McLarens – Chartered Accountants Unit 1, Old School Yard Station Road Petworth, GU28 0JF
Auditors	Kreston Reeves LLP Statutory Auditors and Chartered Accountants Third Floor 24 Chiswell Street London EC1Y 4YX
Bankers	HSBC plc 333 Vauxhall Bridge Road Victoria London SW1V 1EJ
Solicitors	Harrison Clark LLP 5 Deansway Worcester WR1 2JG



**CalciTech Europe Ltd.**

## **Directors' Report**

for the year ended 31 December 2018

The Directors present their report and financial statements for the year ended 31 December 2018.

### **Directors' Responsibilities Statement**

The Directors are responsible for preparing the Directors' Report and 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 International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 the Company's affairs and of the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRSs as adopted by the European Union; and
- 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.

### **Results**

The operating loss for the year was €31,547 (2017: €355,420). The loss for the year after taxation amounted to €63,659 (2017: €417,146). The Directors do not propose payment of a final dividend (2017: €Nil)

### **Directors**

The following Directors have held office during the year:

R.A. Leopard (Chairman)  
G. Long



## **CalciTech Europe Ltd.**

### **Directors' Report (continued)**

#### **Disclosure of information to auditors**

Each of the Directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditors are unaware. They have confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

#### **Post balance sheet event**

The company continues to pursue funding opportunities and, as described in Note 2.2, remains confident that sufficient funding will be secured and full scale production can commence. However, early 2020 saw the outbreak of the global COVID-19 pandemic and the directors have assessed the potential impact of this on the company. As the company has yet to commence trading and maintains cost control to essential minimums, the directors do not believe that the pandemic will have an immediate impact on the company's viability. It is difficult to evaluate the impact of the pandemic (and the resulting global recession) on the ability of the company to secure the necessary funding in the short term, but the directors are confident that they have sufficient financial support in place to be able to continue in operational existence for the foreseeable future.

#### **Auditors**

The auditors, Kreston Reeves LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

On behalf of the board

A handwritten signature in black ink, appearing to read 'R.A. Leopard', is written over a horizontal line.

R.A. Leopard • •  
Chairman

Date: 20/07/2020



**CalciTech Europe Ltd.**

## **Independent Auditors' Report to the shareholders of CalciTech Europe Ltd.**

### **Opinion**

We have audited the financial statements of CalciTech Europe Ltd. (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

### **Material uncertainty related to going concern**

#### ***Uncertainty as to future support***

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2.2 to the financial statements concerning the company's ability to continue as a going concern. Note 2.2 to the financial statements indicates that the Company is dependent upon the continued support from CalciTech Synthetic Materials Limited (incorporated in Bermuda), its ultimate parent Company, and the working capital credit facility provided by Epsom Asset Management to continue in operational existence. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

#### **Uncertainty as to the recoverable amount of intangible assets**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the company's ability to recover the carrying value of the intangible assets. As disclosed in Note 2.3 the directors have performed an impairment review and have concluded that intangible assets are stated at no more than their recoverable amount and no further provision for impairment is required. This conclusion however is dependent upon the company's ability to raise sufficient funds to build the production plants required for their commercial exploitation. The Directors have commenced discussions to secure the appropriate funding and remain confident that they will secure the appropriate funding to commercially exploit the



**CalciTech Europe Ltd.**

**Independent Auditors' Report (continued)  
to the shareholders of CalciTech Europe Ltd.**

intangible assets. However as of this date, such funding has not been secured and therefore there is a significant possibility that commercialisation cannot proceed and that ultimately the Company may not recover the amounts at which intangible assets are stated in the financial statements. These conditions along with other matters explained in the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the carrying value of intangible assets of the Company. The financial statements do not include any adjustments that would result if the Company was unable to secure the appropriate funding for the commercial utilisation of intangible assets.

**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 Auditors' 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 this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the 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.

**Matters on which we are required to report by exception**

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

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

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



**CalciTech Europe Ltd.**

## **Independent Auditors' Report (continued)** **to the shareholders of CalciTech Europe Ltd.**

- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement on page 3, 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.

### **Auditors' 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 Auditors' 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.





**CalciTech Europe Ltd.**

## **Independent Auditors' Report (continued)** **to the shareholders of CalciTech Europe Ltd.**

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **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 Auditors' 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.

*Kreston Reeves LLP*

Michael Cook BA(Hons) FCA (Senior Statutory Auditor)

for and on behalf of

**Kreston Reeves LLP**

Chartered Accountants

Statutory Auditor

London

Date: 22 July 2020



**CalciTech Europe Ltd.**

## **Statement of Comprehensive Income**

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 €	Year ended 31 December 2017 €
<b>Continuing operations</b>			
Cost of sales		-	(5,006)
<b>Gross profit</b>		-	(5,006)
Administrative expenses		(31,547)	(350,414)
<b>Operating loss</b>	11	(31,547)	(355,420)
Other income		-	-
Finance costs		(32,112)	(61,726)
Interest Received		-	-
<b>Loss before income tax</b>		(63,659)	(417,146)
Income tax expense	7	-	-
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		(63,659)	(417,146)
<b>Attributable to:</b>			
Controlling party	83.4%	(53,092)	(347,900)
Non-controlling interest	16.6%	(10,567)	(69,246)
<b>Total comprehensive loss for the year</b>		(63,659)	(417,146)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 13 to 25 are an integral part of these financial statements.



CalciTech Europe Ltd.

## Statement of Financial Position

as at 31 December 2018

		As at 31 December 2018	As at 31 December 2017
	Note	€	€
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	6	9,173,326	9,083,726
Investment in subsidiary	6a	25,000	25,000
		<b>9,198,326</b>	<b>9,108,726</b>
<b>Current assets</b>			
Trade and other receivables	3	8,420	5,248
Cash and cash equivalents	15	994	1,850
		<b>9,414</b>	<b>6,898</b>
<b>Total assets</b>		<b>9,207,740</b>	<b>9,115,624</b>
<b>Equity and liabilities</b>			
Ordinary shares	13	8,000,002	8,000,002
Retained earnings		(2,879,033)	(2,815,374)
<b>Total equity</b>		<b>5,120,969</b>	<b>5,184,628</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4	1,085,334	1,012,020
<b>Non-current liabilities</b>			
Amounts due to related parties	17	3,001,437	2,918,976
<b>Total liabilities</b>		<b>4,086,771</b>	<b>3,930,996</b>
<b>Total equity and liabilities</b>		<b>9,207,740</b>	<b>9,115,624</b>

The financial statements were approved by the board of Directors and authorised for issue on and signed on its behalf by: 20/07/2020

R.A. Leopard  
Chairman

The notes on pages 13 to 25 are an integral part of these financial statements.

Company registration No. 06877046



**CalciTech Europe Ltd.**

## **Statement of Changes in Equity**

for the year ended 31 December 2018

	<b>Share capital</b> €	<b>Retained earnings</b> €	<b>Total</b> €
<b>As at 31 December 2016</b>	8,000,002	(2,398,228)	5,601,774
Total comprehensive loss for the year	-	(417,146)	(417,146)
<b>As at 31 December 2017</b>	<b>8,000,002</b>	<b>(2,815,374)</b>	<b>5,184,628</b>
Total comprehensive loss for the year	-	(63,659)	(63,659)
<b>As at 31 December 2018</b>	<b>8,000,002</b>	<b>(2,879,033)</b>	<b>5,120,969</b>
<b>Attributable to:</b>		<b>2018</b> €	<b>2017</b> €
Equity holders of the business		(53,092)	(347,900)
Non-controlling interest		(10,567)	(69,246)
Total comprehensive loss for the year		<b>(63,659)</b>	<b>(417,146)</b>

The notes on pages 13 to 25 are an integral part of these financial statements.



**CalciTech Europe Ltd.**

## **Statement of Cash Flows**

for the year ended 31 December 2018

		Year ended 31 December 2018 €	Year ended 31 December 2017 €
	Note		
<b>Cash flows from operating activities</b>			
Cash expended from operations	14	12,732	(60,759)
Net cash generated from / (used in) operating activities		12,732	(60,759)
<b>Cash flows from investing activities</b>			
Purchase of plant pre-financing, project & product development	6	(95,849)	-
Net cash used in investing activities		(95,849)	-
<b>Cash flows from financing activities</b>			
Proceeds from intercompany loan from parent co.	17	82,461	59,074
Net cash flow generated in financing activities		82,461	59,074
<b>Net decrease in cash and cash equivalents</b>		(656)	(1,685)
Cash and cash equivalents at the beginning of year		1,650	3,335
Cash and cash equivalents at end of year	15	994	1,650

The notes on pages 13 to 25 are an integral part of these financial statements.



**CalciTech Europe Ltd.**  
**Notes to the Financial Statements**  
for the year ended 31 December 2018

## **1 Business of the Company**

The Company has not yet commenced trading. The principal activity of the Company will be the production and sale in Europe of Synthetic Calcium Carbonate ("SCC"). The company's registered office is c/o McLarens – Chartered Accountants, Unit1, Old Street Yard, Station Road, Petworth, England, GU28 0JF.

## **2 Accounting policies**

### **2.1 Basis of preparation**

CalciTech Europe Ltd. ("CEL") is a private limited Company incorporated in the United Kingdom under the Companies Act 2006. By a special resolution passed on March 9, 2011, the Company adopted articles of association pursuant to the Companies Act 2006.

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention. The significant accounting policies adopted are described below.

The financial statements are presented in Euros and all values are rounded to the nearest Euro.

### **2.2 Going concern and future funding**

The financial statements have been prepared assuming the Company will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements.

The Company is in the commercialisation stage and has a portfolio of defined products for which samples have been produced and tested by many potential customers in a range of industrial applications. The Company has completed a number of feasibility studies, some with potential industrial partners, for the construction of plants to produce SCC and continues to seek out new projects. The Company has also commissioned consulting engineers to design a template for a manufacturing plant which will be the basis for plants across the European region.



**CalciTech Europe Ltd.**  
**Notes to the Financial Statements**  
for the year ended 31 December 2018

## **2.2 Going concern and future funding (continued)**

A working capital facility has been available to the Company's ultimate parent Company, CalciTech Synthetic Minerals Ltd. ("CSM") from Epsom Asset Management Ltd. ("EAM") since February 1998. From time to time, the balance of this facility has been reduced by the mutually agreed conversion of the balance or part thereof into the common stock and debentures of the Company, in order to provide on-going working capital to the Group. During 2014 the facility ceiling with the parent company was passed however EAM continue to informally meet calls for funding. In conjunction with the parent company and its shareholders, the directors have a reasonable expectation that funding will continue through to the end of 2020.

Management believes that given its continued support from CSM and the working capital facility from EAM and assuming their willingness to convert outstanding facility balances into loan notes or shares, the continuing control of expenses, the Company will have sufficient working capital to meet its obligations for the next 12 months following the date of the approval of these financial statements.

However, this EAM facility is not sufficient to enable the Company to commence the building of commercial plants and further funding is required. The financial statements and capitalisation of project and product development costs are based on the directors' assumption that such funds could be secured.

The Company is exploring a variety of financing options and is working with a number of financial institutions, subject to market conditions, to secure the necessary funding.

Assets and liabilities are recorded on the basis that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments to the carrying values of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. In addition, the majority of the Company's assets are intangible assets as more specifically described in note 6. The Company's ability to recover the carrying value of its intangible assets is dependent upon the Company's ability to raise additional funds sufficient for the commercial exploitation of these assets. The financial statements do not include any adjustment that would result if the Company's efforts to secure additional funding for the commercialisation of its intangible assets described above are not successful.

The Directors are confident that the required funding will be raised, and they are therefore confident that the Company can continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. For this reason the financial statements have been prepared on a going concern basis.

## **2.3 Sources of estimation uncertainty**

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reporting amount of income and expenses during the year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The main area of estimation uncertainty is in respect of the carrying value of intangible assets. The Company is in the process of finalising plans to build its first full scale SCC plants in Europe. Construction is dependent on availability of funds through financing as detailed in note 2.2 above. The directors complete regular impairment reviews and found that the carrying value is correct and no impairment is required.



**CalciTech Europe Ltd.**

## **Notes to the Financial Statements**

for the year ended 31 December 2018

### **2.4 Other income**

Other income represents grant income received, and is included in the statement of comprehensive income when the Company is legally entitled to the income and the amount can be quantified with reasonable accuracy.

### **2.5 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### **2.6 Financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

### **2.7 Intangible assets**

Expenditure on intangible assets (Product Development, Project Development and Commercial Plant pre-financing costs) will be capitalised and amortised against production and sales of its SCC products over the period of the licence. Legal expenditure for the protection of licence is recognised as an expense in the statement of comprehensive income, as incurred, except when additional future economic benefits can be attributed to such protection at the balance sheet date. The intangible assets, except for Goodwill, are not amortised because the Company is not yet utilising them on a commercial level. Amortisation will begin upon the commencement of commercial production. Management regularly reviews the intangible assets to consider their carrying value and whether there is any impairment in light of the project or product development.

Research and development costs are expensed as incurred, except for Project Development and Product Development costs, which are deferred as intangible assets if the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.





**CalciTech Europe Ltd.**  
**Notes to the Financial Statements**  
for the year ended 31 December 2018

**2.7 Intangible Assets (continued)**

Deferred Project Development costs of €6,122,373 (2017: €6,081,011), Product Development costs of €1,454,667 (2017: €1,400,180), and Commercial Plant pre-financing costs of €1,036,181 (2017: €1,836,181) are recorded at cost, which include:

- expenditure on materials and services used or consumed in generating the intangible asset;
- the salaries, wages and other employment related costs of personnel directly engaged in generating the asset, and
- any expenditure that is directly attributable to generating the asset, such as the amortisation of patents used to generate the asset.

Any costs capitalised are amortised over the period of expected future benefit.

The recoverability of the carrying value of intangible assets is based upon Directors' assumptions that sufficient funds can be raised to commence commercial production.

**2.8 Property, plant and equipment**

All plant, property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated from the date that the asset is available for use, using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

▪ Fixtures and equipment	3 – 8 years
▪ Building, plant and equipment	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each accounting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses) / gains – net" in the statement of comprehensive income.



**CalciTech Europe Ltd.**

## **Notes to the Financial Statements**

for the year ended 31 December 2018

### **2.9 Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

### **2.10 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **2.11 New standards and interpretations**

#### **a) New and amended standards adopted by the Company**

The following have been applied for the first time from 1 January 2018 but did not have a material impact on the financial statements:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contract with Customers
- Annual improvements to IFRSs 2014-2016 cycle
- Amendments to IFRS 2 – Classification and measurement of share-based payment transactions
- Amendments to IAS 40 – Transfers of investment property
- IFRIC Interpretation 22 – Foreign currency transactions and advance consideration

#### **b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

Mandatory for accounting periods commencing on or after 1 January 2019:

- IFRS 16 – Leases
- IFRS 9 – Prepayment features with negative compensation
- IFRIC Interpretation 23 – Uncertainty over income tax treatments
- Amendments to IAS 28 – Long term interests in associates and joint venture
- Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest)

Mandatory for accounting periods commencing on or after 1 January 2020:

- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.



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**Notes to the Financial Statements**  
for the year ended 31 December 2018

**2.11 New standards and interpretations (continued)**

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

**2.12 Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Company's assets and liabilities and their tax base. Deferred tax liabilities are offset against deferred tax assets. Any remaining deferred tax is recognised only when, on the basis of available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability is settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Current deferred tax is recognised in the statement of comprehensive income, except when the tax relates to items charged or credited directly in equity, in which case the tax is recognised in equity.

**2.13 Cash and cash equivalents**

Cash and cash equivalents comprise cash and short term deposits held by the company. The carrying value of these assets approximates their fair value.

**3 Trade and other receivables**

	2018	2017
	€	€
VAT receivable	1,305	-
Other debtors	-	248
Prepaid expenses	7,115	5,000
	<u>8,420</u>	<u>5,248</u>

**4 Trade and other payables**

	2018	2017
	€	€
Trade payables	263,813	252,745
VAT payable	-	2,587
Accrued expenses	821,521	756,688
	<u>1,085,334</u>	<u>1,012,020</u>



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**5 Property, plant and equipment**

	Fixtures & equipment €	Building, plant & equipment €	Total €
<b>Cost</b>			
At 1 January 2018	17,888	330,000	347,888
At 31 December 2018	<b>17,888</b>	<b>330,000</b>	<b>347,888</b>
<b>Depreciation</b>			
At 1 January 2018	(17,888)	(330,000)	(347,888)
At 31 December 2018	<b>(17,888)</b>	<b>(330,000)</b>	<b>(347,888)</b>
<b>Net book value</b>			
At 31 December 2018	-	-	-
At 31 December 2017	-	-	-
<b>Cost</b>			
At 1 January 2017	17,888	330,000	347,888
At 31 December 2017	<b>17,888</b>	<b>330,000</b>	<b>347,888</b>
<b>Depreciation</b>			
At 1 January 2017	(17,888)	(290,000)	(307,888)
Impairment charge	-	-	-
Charge for the year	-	(40,000)	(40,000)
At 31 December 2017	<b>(17,888)</b>	<b>(330,000)</b>	<b>(347,888)</b>
<b>Net book value</b>			
At 31 December 2017	-	-	-
At 31 December 2016	-	40,000	40,000

For the year ended 31 December 2018 and the year ended 31 December 2017, depreciation expense totalled €NIL and €40,000 respectively.



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**6 Intangible assets**

	Project development €	Product development €	Commercial plant pre- financing €	Goodwill €	Total €
<b>Cost</b>					
At 1 January 2018	6,081,011	1,400,180	1,836,181	15,000	9,332,372
Additions	41,362	54,488	-	-	95,850
At 31 December 2018	6,122,373	1,454,668	1,836,181	15,000	9,428,222
<b>Amortisation</b>					
At 1 January 2018	(239,896)	-	-	(8,750)	(248,646)
Amortisation charge	-	-	-	(1,000)	(1,000)
Impairment charge	-	-	-	(5,250)	(5,250)
At 31 December 2018	(239,896)	-	-	(15,000)	(254,896)
<b>Net book value</b>					
At 31 December 2018	5,882,477	1,454,668	1,836,181	-	9,173,326
At 31 December 2017	5,841,115	1,400,180	1,836,181	6,250	9,083,726
<b>Cost</b>					
At 1 January 2017	6,081,011	1,400,180	1,836,181	15,000	9,332,372
At 31 December 2017	6,081,011	1,400,180	1,836,181	15,000	9,322,372
<b>Amortisation</b>					
At 1 January 2017	-	-	-	(7,750)	(7,750)
Amortisation charge	-	-	-	(1,000)	(1,000)
Impairment charge	(239,896)	-	-	-	(239,896)
At 31 December 2017	(239,896)	-	-	(8,750)	(248,646)
<b>Net book value</b>					
At 31 December 2017	5,841,115	1,400,180	1,836,181	6,250	9,083,726
At 31 December 2016	6,081,011	1,400,180	1,836,181	7,250	9,324,622

For the year ended 31 December 2018, amortisation expense totalling €1,000 (2017: €1,000) and impairment totalling €5,250 (2017: €239,896) is included in Administrative expenses on the Statement of Comprehensive Income. When full-scale production plants are producing revenues, project development, product development, commercial plant pre-financing and goodwill will be amortised over the remaining life of the licence based on the number of tonnes of SCC produced.



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**6a Fixed Asset Investments**

	Investments in subsidiary Companies €
<b>Cost</b>	
As at 1 January 2018	25,000
Additions	-
At 31 December 2018	<u>25,000</u>
<b>Net Book value</b>	
At 31 December 2018	<u>25,000</u>
At 31 December 2017	<u>25,000</u>
<b>Subsidiary undertakings</b>	
The following were subsidiary undertakings of the company:	
<b>Name</b>	<b>Class of share</b>
CalciTech	Ordinary
Piesteritz GmbH	
	<b>Holding</b>
	100%
	<b>Country</b>
	Germany

The aggregate of the share capital and reserves as at 31 December 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

<b>Name</b>	<b>Aggregate of Share capital And reserves €</b>	<b>Profit/(Loss) €</b>
CalciTech Piesteritz GmbH	(1,298)	Nil



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**7 Taxation**

	2018	2017
	€	€
<b>Current tax charge</b>	-	-
<b>Factors affecting the tax charge for the period</b>		
Loss for the period	(63,659)	(417,146)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 19% (2017: 19%)	(12,905)	(79,258)
Effects of:		
Depreciation in excess of capital allowances	(998)	4,934
Non allowable expenses		2,090
Non trade loan relationship debit	6,101	11,728
Impairment of tangible fixed assets	-	626
Movement in tax losses	6,992	59,880
<b>Current tax charge</b>	-	-

A deferred tax asset of approximately €330,000 (2017: €365,000) has not been recognised due to the uncertainty regarding the availability of future profits against which the losses of the Company could be offset.

**8 Provisions and contingencies**

The Company may be subject to legal proceedings, claims, and litigation arising in the ordinary course of business. There are no material proceedings at this time.

**9 Ultimate controlling party**

The Company is 83.4% owned by CalciTech Synthetic Materials Limited, a Company incorporated in Bermuda.

**10 Segmental reporting**

- a) Primary segment – business
- b) The Company has only one business segment that is the production and sale of SCC.
- c) Secondary segment – geographical

The Company's loss for the year is allocated as follows:

	2018	2017
	€	€
United Kingdom	(78,681)	(362,197)
European Union	15,022	(54,949)
<b>Loss for the year</b>	<b>(63,659)</b>	<b>(417,146)</b>



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**10 Segmental reporting (continued)**

The Company's non-current assets are located as follows:

	2018	2017
	€	€
United Kingdom	7,935,099	7,935,099
European Union	1,263,227	1,173,626
<b>Gross assets</b>	<b>9,198,326</b>	<b>9,108,725</b>

**11 Operating loss**

Operating loss is stated after charging:

	2018	2017
	€	€
Depreciation and amortization	1,000	41,000
Impairment of intangible fixed assets	5,250	239,896
Auditors remuneration – audit charges	10,041	10,786

**12 Directors' remuneration**

	2018	2017
	€	€
Aggregate emoluments	5,500	10,000

During the year no retirement benefits accrued to the Directors (2017: €NIL).

**13 Share capital**

The Company has Ordinary A shares with the par value of € 0.10. There are no restrictions on the distribution of dividends and repayment of capital.

	2018	2017
	€	€
<b>Allotted, called up and fully paid</b>		
2 deferred shares of GBP 1.00 each	2	2
80,000,000 ordinary A shares of €0.10 each	8,000,000	8,000,000

On 9 March 2010, the board of Directors, with the consent of CalciTech Synthetic Materials Limited, passed a special resolution approving the restructuring of the share capital of the Company. The two existing ordinary shares in the capital of the Company, with a par value of GBP1.00 per share, together with all the un-issued ordinary shares forming the authorised share capital of the Company were re-designated as deferred shares and





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**13 Share capital (continued)**

Ordinary A shares were created with a par value of €0.10 per share with the normal rights attaching to ordinary shares. The deferred shares have the following rights:

- a. As regards income: the deferred shares shall not entitle the holders thereof to receive any dividend or distribution unless and until the holders of the ordinary A shares shall have received in aggregate amongst them the sum of GBP 1,000,000,000 in respect of such dividend;
- b. As regards voting: the deferred shares shall not entitle the holders thereof to receive notice of or to attend or vote at any General Meeting of the Company;
- c. As regards capital: on a return of capital on a winding up the holders of deferred shares shall only be entitled to receive the amount paid up on such shares after the holders of the ordinary A shares have received the sum of GBP 1,000,000 for each ordinary A share held by them and shall have no other right to participate in the assets of the Company.

**14 Reconciliation of loss before income tax to net cash inflow / (outflow) from operating activities**

	2018	2017
	€	€
Loss before income tax	(63,659)	(417,146)
Depreciation and amortization	1,000	41,000
Impairment of tangible fixed assets	-	-
Impairment of intangible fixed assets	5,250	239,896
(Increase) / decrease in debtors	(3,173)	13,616
Increase in creditors	73,314	61,875
<b>Net cash inflow / (outflow) from operating activities</b>	<b>12,732</b>	<b>(60,759)</b>

**15 Cash and cash equivalents**

	2018	2017
	€	€
Cash at bank and in hand	994	1,650

The fair value of cash and cash equivalents at 31 December 2018 was €994 (2017: €1,650).

**16 Employees**

There were no employees in the year (2017: Nil).



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**17 Related party transactions**

*Parent Company support*

CSM has committed to support the Company's working capital needs by way of an intercompany loan until such time that it secures funding from other sources. At 31 December 2018, the loan from CSM totalled €3,001,437 (2017: €2,918,976). Interest charged by CSM totalled €32,112 (2017: €61,727).

During the year the Company was charged €72,000 (2017: €72,000) for the provision of financial advice by CG Services SA a company of which G.Long was an employee. As at 31 December 2018, CEL owed CG Services SA €144,000 (2017: €72,000).

Directors remuneration is disclosed in note 12. As at the year end a balance of €19,000 (2017: €37,500) was owed to R.A Leopard.

There were no other related party transactions during the year and the previous year.

**18 Financial instruments**

The principal financial instruments used by the Company are summarised below. All financial assets and liabilities are measured at amortised cost which is not considered to be materially different to fair value.

	2018	2017
<b>Financial assets</b>		
Trade and other receivables	-	5,245
<b>Financial liabilities</b>		
Trade and other payables	1,085,334	1,012,020

The above financial assets comprise trade receivables and are measured at amortised.

The above financial liabilities comprise trade payable and accruals and are measured at amortised cost.

**19 Subsequent events**

The impact of the Covid-19 virus has been assessed by the directors, so far as reasonably possible and has been included on page 4 of the directors report.