CELLTHERAPY

Registered Number 06970743

Cell Therapy Limited

Directors' report and financial statements

for the year ended

31 July 2015

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REGENERATIVE MEDICINE FOR LIFE

Cell Therapy Limited

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Contents

Directors' report

The directors present their report and financial statements for the year ended 31 July 2015.

Principal activities

The principal activity of the company is the research and development of pharmaceutical products. Research expenditure amounted to £483,201 (2014: £462,501) and the entity recorded a loss of £1,579,323 (2014: profit £382,669 – consisting of an operating loss of £779,863 and other income of £1,162,532 see Notes 7 & 21).

Directors

The directors who served in the year were as follows:

Professor Sir Martin Evans
Lord Digby Jones of Birmingham (appointed 23 November 2014)
Mr Ajan Reginald
Mr Mubasher Sheikh
Mr Rhodri Morgan
Mr Anthony Bird (appointed 23 November 2014)
Mr Mark Hughes (appointed 20 January 2015)
Mr David Preston (appointed 20 January 2015)
Dr Sabena Sultan (appointed 20 January 2015)
Mr Mark Beards (appointed 22 May 2015)
Dr Francesco Granata (appointed 23 September 2015)
Dr Darrin Disley (appointed 23 September 2015)

Political contributions

The Company made no political donations or incurred any political expenditure during the year *(2014: £Nil).*

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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Results and dividends

The loss for the year after taxation was £1,579,323 (*2014 profit £382,669*). This loss was after a taxation charge of £Nil (*2014: £Nil*). The directors do not propose that a final dividend for the year be paid (*2014: £Nil*).

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Directors' report (Continued)

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Financial instruments

See notes 19 for information on financial instruments.

Small company special provisions

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

This report was approved by the board on 19 October 2015, taking advantage of special exemptions available to small companies.

Going concern

The directors continue to raise funds from various sources. The company raised funding of £2,210,322 in 2015 and is currently raising an additional funding which will take the Heartcel™ through to revenue. As at the date of this report, the Company has cash balances of £2,851,328 and based on current forecasts the Directors' are satisfied that this enables the Company to continue as a going concern for at least 12 months from the date of approval of these financial statements.

Signed on behalf of the board of directors

David Preston
Director and Company Secretary

Cardiff Gate Business Park
Malthouse Avenue
Cardiff
CF23 8RU

Company Number: 06970743

19 October 2015

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

The directors are responsible for preparing the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 in accordance with IFRS as adopted by the EU and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the UK governing the preparation and dissemination of financial statements might differ from legislation in other jurisdictions.

KPMG

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

We have audited the financial statements of Cell Therapy Limited for the year ended 31 July 2015, set out on pages 6 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out 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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor 3 November 2015
Chartered Accountants
15 Canada Square
London
E14 5GL

Cell Therapy Limited
Statement of Comprehensive Income

	Note	2015 £	2014 £
Operating and administrative expenses	4	**(1,579,323)**	(779,863)
Other operating income	7	-	1,162,532
(Loss)/profit before taxation		**(1,579,323)**	**382,669**
Taxation	8	-	-
(Loss)/profit for the year		**(1,579,323)**	**382,669**
Other comprehensive income for the year		-	-
Total comprehensive(loss)/ income for the year		**(1,579,323)**	**382,669**

All results arise from continuing operations.

The notes on pages 10 to 28 form part of these financial statements.

Statement of Financial Position

	Notes	31 July 2015 £	31 July 2014 £
Non-current assets			
Property, plant and equipment	9	**18,334**	22,439
Intangible assets	10	**197,703**	98,609
Investments	11	-	-
		216,037	121,048
Current assets			
Trade and other receivables	12	**43,916**	150,363
Cash at bank and in hand		**1,223,551**	52,874
		1,267,467	203,237
Total assets		**1,483,504**	324,285
Non-current liabilities			
Other payables	13	-	(6,160)
Current liabilities			
Trade and other payables	13	**(859,795)**	(237,694)
Total liabilities		**(859,795)**	(243,854)
Net assets		**623,709**	80,431
Capital and reserves			
Called up share capital	14	**18,497**	16,955
Share premium	15	**2,499,943**	379,255
Share-based payment reserve	16	**371**	-
Accumulated Loss		**(1,895,102)**	(315,779)
Total Equity		**623,709**	80,431

The notes on pages 10 to 28 form part of these financial statements.

These financial statements were approved by the board of directors on 19 October 2015 and were signed on its behalf by:

Mark L W Hughes

Mark L W Hughes
Director and Chief Financial Officer
Company Number: 06970743

Cardiff Gate Business Park
Malthouse Avenue
Cardiff, CF23 8RU

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Statement of Changes in Equity for the periods to 31 July 2015

	Called up share capital	Share premium account	Share Based Payment	Accumulated loss	Total equity
	£	£	£	£	£
Balance 1 August 2013	16,955	379,255	-	(698,448)	(302,238)
Total comprehensive income year to 31 July 2014	-	-	-	382,669	382,669
Balance 31 July 2014	16,955	379,255	-	(315,779)	80,431
Issue of shares (net of issue costs)	1,542	2,120,688	-	-	2,122,230
Share based Payment	-	-	371	-	371
Total comprehensive loss year to 31 July 2015	-	-	-	(1,579,323)	(1,579,323)
Balance 31 July 2015	18,497	2,499,943	371	(1,895,102)	623,709

The notes on pages 10 to 28 form part of these financial statements.

Cash Flow Statement

	Note	2015	2014
		£	£
Cash flow from operating activities			
Loss/profit before taxation		(1,579,323)	382,669
Depreciation of equipment	9	8,940	3,390
Loss on Disposal of equipment		293	-
Impairment of Intangible Assets		21,604	-
Share Payment Charge		371	-
Decrease/(Increase) in receivables		106,447	(7,230)
(Decrease)/Increase in non-current liabilities		(6,160)	(945,427)
(Decrease)/increase in trade and otherpayables		622,101	(105,600)
Net cash (utilised in)/generated from operating activities		(825,727)	(672,198)
Cash flow from investing activities			
Purchases of property, plant and equipment	9	(5,128)	(17,877)
Purchase of intangible fixed assets	10	(120,698)	(36,338)
Net cash outflow from investing activities		(125,826)	(54,215)
Cash flows from financing activities			
Proceeds from Issue of Shares		2,210,322	-
Issue Costs		(88,092)	-
Net cash from financing activities		2,122,230	-
Net increase/(decrease) in cash and cash equivalents		**1,170,677**	**(726,413)**
Cash and cash equivalents at start of year		52,874	779,287
Cash and cash equivalents at end of year		**1,223,551**	**52,874**

The notes on pages 10 to 28 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation

Cell Therapy Limited (the "Company") is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s402 subject to the small companies regime 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 International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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

1.2 Going concern

The Company's financial statements show a loss after tax for the year of £1,579,323 *(2014: Profit of £382,669 – consisting of an operating loss of £779,863 and other income of £1,162,532 see Notes 7 & 21*) and a net asset position of £623,709 *(2014: £80,431).*

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

The Directors are actively engaged in a new round of fundraising, with the assistance of professional advisors, with a view to expanding the activities and scale of the Company and to allow it to develop the intellectual property derived from its research and development activities. However, they have also prepared 'downside' projections which demonstrate that the cash currently held by the Company, will be sufficient, without further fundraising, to allow the Company to continue as a going concern for at least 12 months from the date of approval of these accounts until October 2016.

Based on the progress in the current round of fundraising and the ability of the directors to manage the Company's existing cash resources prudently, the directors consider that preparation of accounts on a going concern basis is appropriate. The board has over the past two years been successful in raising funds. £2.2m was raised in 2015 from both a Crowdcube round in December 2014 and various private investments. Since the year end a further £2.1m has been raised (Note 22).

1. Accounting policies (continued)

1.3 Foreign currencies

Transactions denominated in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

1.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when the goods are delivered and title has passed.

1.5 Other income including licenses and government grants

License income is recognised once performance conditions contained in the license agreement have been fully met. All conditions which could result in amounts potentially being repayable to the licensee must be fulfilled before the income can be recognised.

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

1.6 Operating lease payments

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

1.7 Financing income and expenses

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

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1. Accounting policies (continued)

1.8 Taxation

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

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

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

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

1.9 Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of equipment. The estimated useful lives are as follows:

Office and laboratory equipment: 2 - 5 years

1. Accounting policies (continued)

1.10 Intangible assets

Intangible assets represent costs relating to the Company's patent applications. These costs are carried at cost until the respective patents are granted, following which they will be amortised over the remaining life of the patents, or if not granted, the costs will be fully impaired immediately.

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. 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 recognised in the income statement as an expense as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the point at which revenue related to the patent starts to be generated.

Impairment of non-financial assets

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

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. In the year to 31 July 2015, following a review of the intangible asset portfolio, an impairment loss of £ 21,604 *(2014: £Nil)* was recognised.

1. **Accounting policies (continued)**

1.11 Share based payments

The company has applied the requirements of IFRS 2 Share-based Payment. Other than for business combinations, the only share based payments of the company are equity settled share options to certain employees. The Black-Scholes Option Model is used to estimate the fair value of each option at grant date. That fair value is charged on a straight line basis as an expense in the income statement over the period that the employee becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

The number of such options is increased annually to reflect best estimates of those expecting to vest (ignoring purely market based conditions) with consequent changes to the expense. Equity is also increased by the proceeds receivable as and when employees choose to exercise their options.

If the company modifies the terms and conditions on which the equity instruments were granted, as a minimum, the services received measured at the grant date fair value of the equity instruments granted (unless those equity instruments do not vest because of a failure to satisfy a vesting condition other than a market condition) are charged to the income statement.

1.12 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, 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 upon 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's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal 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.

1.13 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

1. Accounting policies (continued)

1.13 Non-derivative financial instruments (continued)

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in equity securities

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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.

1.14 Adopted IFRS not yet applied

Standards amendments and interpretations effective in 2015 and adopted by the Company

The following standard were relevant to the company in 2015 but had no material effect:

IFRS 2 Share-based payment - definition of 'vesting condition';

IFRS 13 Fair value measurement;

IAS 24 Related party disclosures.

Interpretations early adopted by the Company

There were no standards or interpretations early adopted by the Company in 2015.

2. Critical accounting judgments and key sources of estimation uncertainty

In application of the Company's accounting policies above, the Directors are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period 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.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of intangible assets
Determining whether an intangible asset is impaired requires an estimation of the value in use of the asset. It also assumes that patents will be accepted and registered. 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. If a patent application is not pursued or rejected an impairment loss will arise.

Principle risks

The Directors consider the principal risks of the business to relate to the successful development, testing and subsequent commercialisation of the stem cell technology which the Company is engaged in exploiting. The nature of this type of scientific work means there are inherent uncertainties attached to it and therefore, there can be no guarantee of commercial success. An additional risk is that if unsuccessful in patent application the carrying cost of patent applications included in intangible assets may also not be recoverable.

In respect of a license agreement entered into with Alliancells, the risk is that either the technology cannot be sufficiently developed for approval and release into the Chinese market or that the cost of achieving approval and release proves to be uncommercial. In such a case, this would only be relevant to future license fee income. There are further details in Note 21.

During the research, development and commercialisation phases, significant funding is required to meet the costs associated with these activities. In the event that existing funding is fully utilised and no new funding becomes available, the Company would be obliged to curtail its operations.

3 Segment analysis

This is currently a small company. For management purposes it is organised as a single business unit with the chief operating decision maker being the Board of Directors.

4 Notes to the (loss) / profit for the year

(Loss) / profit on ordinary activities before taxation is stated after charging / (crediting):

	2015	2014
	£	£
Research and development expenditure	**483,201**	462,501
Depreciation of property, plant and equipment	**8,940**	3,390
Impairment of intangible assets	**21,604**	-
Hire of premises - operating leases (note 19)	**10,683**	6,232
Foreign exchange (gains) / losses	**(331)**	68,938

Auditor's remuneration	2015	2014
	£	£
Audit of these financial statements	**25,000**	25,000
Amounts receivable by the company's auditor and its associates in respect of:		
Tax compliance services	**4,000**	2,000

5. Staff numbers and costs

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

	Number of employees	
	2015	**2014**
Average number of employees		
Research	**8**	7
Administrative	**5**	3
	13	10

The aggregate payroll costs of these persons were:

	£	**£**
Wages and Salaries	**484,279**	212,334
Social security costs	**5,284**	15,314
Other pension costs	**21,000**	-
Share based payment charge	**371**	-
	510,934	227,648

6. Directors' remuneration

	2015			**2014**		
	Basic Pay	Benefits	Total	Basic Pay	Benefits	Total
Executive						
Professor Sir Martin Evans	-	-	-	-	-	-
Ajan Reginald	107,185	22,184	129,369	68,440	709	69,149
Mark Beards	19,355	13	19,368	-	-	-
Mark Hughes	26,613	13	26,626	-	-	-
David Preston	26,613	13	26,626	-	-	-
Sabena Sultan	26,613	34	26,647	-	-	-
Non-Executive						
Lord Digby Jones	23,184	-	23,184	-	-	-
Rhodri Morgan	6,000	-	6,000	6,000	-	6,000
Mubasher Sheikh	-	-	-	-	-	-
Anthony Bird	-	-	-	-	-	-
Total	**235,563**	**22,257**	**257,820**	**74,440**	**709**	**75,149**

7. Other operating income

There is no other operating income in the year to 31 July 2015

In the prior year, other operating income of £ 1,162,532 comprises recognition of the fee from Alliancells Bioscience Co. Ltd, following certain performance conditions having been met, to apply for market admittance and utilise a Cell Therapy license for a period of 11 years. If market admittance is obtained a further license fee covering the period will be payable to Cell Therapy Limited (See also note 21).

8. Taxation

	2015	2014
Recognised in profit or loss	-	-

Reconciliation of effective tax rate	**2015**	**2014**
	£	**£**
(Loss) / profit for the year	(1,579,323)	382,669
Tax using the UK corporation tax rate of 20% (2014:21%)	(315,865)	80,361
Current year losses for which no deferred tax asset was recognised	315,865	-
Utilisation of previously unrecognised tax losses	-	(80,361)
Total tax expense	-	-

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. However, the company expects to benefit from the Patent Box Corporation Tax regime as it will make a profit from exploiting patented inventions. The lower rate of Corporation Tax to be applied is expected to be 10%.

Estimated tax losses for which no deferred tax asset has been recognised amount to approximately £ 2,884,854 (2014: £315,000).

9. Equipment

Office and laboratory equipment

	2015	2014
Cost	**£**	**£**
Cost at beginning of year	**28,143**	10,266
Additions	**5,128**	17,877
Disposals	**(1,623)**	-
Cost at end of year	**31,648**	28,143
Accumulated Depreciation		
Depreciation at beginning of year	**5,704**	2,314
Charge in year	**8,940**	3,390
Disposals	**(1,330)**	-
Depreciation at end of year	**13,314**	5,704
Net book value		
NBV at start of year	22,439	7,952
NBV at end of year	**18,334**	22,439

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10. Intangible assets

	2015	2014
	£	£
Cost		
Cost at start of period	**98,609**	62,271
Additions	**120,698**	36,338
Cost at end of period	**219,307**	98,609
Accumulated Amortisation and impairment	**£**	**£**
At start of period	-	-
Impairment	**21,604**	-
At end of period	**21,604**	-
Net Book Value	**£**	**£**
NBV at start of year	98,609	62,271
NBV at end of year	**197,703**	**98,609**

Intangible assets represent the costs associated with obtaining Patents. They will be amortised over the term of the patent, starting from the grant date.

The value of the Intangible Assets is periodically reviewed. Following a review at the year end, it was decided that there have been cost incurred which for one reason or another will never be completed or used in the business. There was now no value to the business going forward in these costs, thus there was an impairment recognised in the period.

11. Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	31 July 2015	31 July 2014
Myocardion Limited	UK	Ordinary	100%	100%

On 7 April 2014 the Company purchased the whole of the allotted share capital of Myocardion Limited from Ajan Reginald at its net asset value of £100. This company was and remains dormant and the investment has been fully impaired. The net asset value is fully provided for giving a carrying value of £Nil *(2014: £Nil)*. Group accounts have not been prepared as the amount is immaterial and the group accounts would be the same as these company accounts.

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12. Trade and other receivables

	2015	2014
	£	£
Prepayments	**32,262**	3,333
Other receivables	**11,654**	147,030
	43,916	150,363

The Directors consider that the carrying amount of prepayments and other receivables approximates to their fair value.

13. Trade and other payables

	2015	2014
	£	£
Current		
Trade payables	**265,730**	114,721
IP incentive scheme	**22,760**	-
Directors' loans	-	56,411
Cardiff Council loan	**6,160**	10,354
Non-trade payables and accrued expenses	**565,145**	56,208
	859,795	237,694
Non-current		
Cardiff Council loan	-	6,160
	-	6,160

Directors' loans were non-interest bearing and have no fixed terms of repayment and therefore have been treated as payable on demand.

Cardiff Council loan is being repaid at £887 per month, including interest at 2% above the Bank of England base rate, with the final payment due in February 2016.

14. Called up share capital

	2015	2014
Allotted, called up and fully paid		
Number		
Ordinary A shares of 1p each at start of Period	**1,695,500**	1,695,500
Ordinary A shares of 1p each allotted in Period	**141,359**	-
Ordinary A shares of 1p each at end of Period	**1,836,859**	1,695,500
Ordinary B shares of 1p each at start of Period	**-**	-
Ordinary B shares of 1p each allotted in Period	**12,799**	-
Ordinary B shares of 1p each at end of Period	**12,799**	-
Total	**1,849,658**	1,695,500
	£	**£**
Ordinary A shares of 1p each	**18,369**	16,955
Ordinary B shares of 1p each	**128**	-
Total	**18,497**	16,955

The holders of A ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

In December 2014 the company raised funds through Crowdcube including the allotment of 12,664 Ordinary B shares. The holders of B shares had all the rights of A shareholders with the exception that these shares did not carry any voting rights.

15. Share Premium

	Share premium £
Balance on 1 August 2013	379,255
Premium arising on the issue of shares issued in 2014	-
Balance on 31 July 2014	379,255
Premium arising on the issue of shares issued in 2015	2,208,780
Less expenses of the issue of shares written off	(88,092)
Balance on 31 July 2015	**2,499,943**

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16. Share based payment

Equity-settled share option scheme

The company has a share option scheme for certain employees. Options are exercisable at £1. The vesting period is three years. If the option remains unexercised after a period seven years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

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

Number	Exercise price	Dates exercisable
142,500	£1	21 July 2018 to 21 July 2025

Details of the share options outstanding during the year are as follows:

	Number of share options	2015 Weighted average exercise price	Number of share options	2014 Weighted average exercise price
Outstanding at beginning of period	-	-	-	-
Granted during the period	142,500	£1.00	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	142,500	£1.00	-	-
Exercisable at the end of the period	-	-	-	-

The options were issued at a fair value of £1. The options outstanding at 31 July 2015 had a weighted average remaining contractual life of approximately 10 years (2014: Not Applicable).

17. Share based payment reserve

	£
At 1 August 2013	-
Credit for the year	-
At 31 July 2014	-
Credit for the year	371
At 31 July 2015	**371**

Cell Therapy Limited calculated the fair value of stock options using the Black Scholes Option model. The fair value of the stock options is estimated at the grant date using the following assumptions:-

Weighted average expected divided yield	0.0%
Weighted average expected volatility	23%
Risk free interest rate	1%
Expected life (years)	3
Weighted average share price (pence)	100p

The expected term of stock options has been based on the weighted average of the remaining life of the historical terms of the Cell Therapy Limited stock option plans. Expected volatility has been set by reference to the implied volatility of the share price available on similar shares in the open market. There was a charge for the year of £371 (2014: nil).

18. Financial instruments: information on financial risk

The Directors deem that at 31 July 2015 and 2014 the fair value of the Company's financial assets and liabilities were equal to their carrying amount.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. There is currently no bank debt in the business. Thus there is no exposure to any risk from changes in interest rates.

Financial risk management objectives

The main risk to which the Company is exposed is liquidity risk. The Company monitors this risk and will take appropriate action to minimise any exposure.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company has no trade receivables and details over recoverability of other receivables is provided in note 13. The Company's maximum exposure to credit risk is the balance sheet amount.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows. See note 14 for aging profile of liabilities.

19. Operating lease

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

	2015	2014
	£	£
Future minimum lease payments		
Within one year	**6,982**	10,683
In the second to fifth years inclusive	**1,808**	8,789
After five years	-	-
	8,790	19,472

During the year £10,683 was recognised as an expense in the income statement in respect of operating leases (*2014: £6,232*).

20. Related parties

Transactions with key management personnel

At the reporting date, an amount of £Nil *(2014: £56,911)* was owing to Mr. Reginald, a director of the Company.

Directors of the Company and their immediate relatives control 88 per cent of the voting shares of the Company.

The Directors of the Company are the key management personnel. Their compensation is disclosed in Note 6.

In the period October 2014 to June 2015, Mr. Ajan Reginald received consultancy fees through his service company ATReginald Limited. A total of £ 63,000 (*2014: £49,000*) was paid to this company.

In the period October 2014 to June 2015, Mr. David Preston received consultancy fees and expenses through his service company David Preston Business Management & Consultancy Limited. A total of £34,999 *(2014: £Nil)* was paid to this company.

In the period January to June 2015, Mr. Mark Hughes received consultancy fees and expenses through his service company MLWH Limited. A total of £23,958 *(2014: £Nil)* was paid to this company.

In the period September 2014 to July 2015, Lord Digby Jones received consultancy fees and expenses through his service company Digby Jones LLP. A total of £ 32,751 *(2014: £Nil)* was paid to this company.

Additional amounts totaling £56,911 *(2014: £39,730)* were paid to Mr. Ajan Reginald during the year, being repayments against his directors' loan account of £56,911 *(2014: £38,636).*

Additional amounts totaling £2,737 (2014: £Nil) were paid to Mr. Mark Beards during the year for reimbursed business expenses

Additional amounts totaling £243 *(2014: £Nil)* were paid to Mr. Mark Hughes during the year for reimbursed business expenses.

Additional amounts totaling £947 (2014: *£Nil*) were paid to Mr. David Preston during the year for reimbursed business expenses.

Additional amounts totaling £3,629 *(2014: £Nil)* were paid to Dr Sabena Sultan during the year for reimbursed business expenses

An amount of £10,000 has been accrued to cover an IP incentive payment to Dr Sabena Sultan and £10,000 has been accrued to cover an IP incentive payment to Mr. Ajan Reginald

Other related party transactions

During the year the company paid £8,068 on behalf of Allerna Therapeutics Limited a company in which Mr. Ajan Reginald is a shareholder. The company was fully reimbursed by Allerna Therapeutics Limited.

21. Licence granted by CTL to Alliancells Bioscience Co. Ltd

On 20 December 2012, the Company (CTL) granted the right to apply for market admittance to exclusively utilise CTL's autologous mesodermal stromal cell technology in greater China.

The amount received for this right to apply for market admittance was USD$1,682,392 ($1,869,324 less Chinese withholding tax $186,932). That is approximately GBP£1,046,279 (£1,162,532 less £116,253). A licence fee of USD$6,000,000 is payable for use over 11 years, if and when, market admittance is granted. Therefore, due to the conditionality attaching to the second instalment, no income in respect of this is recognised in these financial statements.

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22. Events after the reporting date

38,672 A shares were issued between 1 August 2015 and 19 October 2015 following the receipt of investment monies totaling £2,111,178.