

Registered Number 06970743

Cell Therapy Limited

Directors' report and financial statements for the year ended
31 July 2017



CELLTHERAPY
REGENERATIVE MEDICINE FOR LIFE

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Directors' report

The directors present their annual report on the affairs of the Company, together with financial statements and auditor's report for the year ended 31 July 2017.

Details of significant events since the balance sheet date are contained in Note 22 to the financial statements.

Principal activities and results

The principal activity of the Company is the research, development and commercialisation of pharmaceutical products. This includes bringing to market our cellular medicines and licensing our intellectual property, for example, the £12.5m license described in Note 3.

On 12th April 2017, a share exchange offer was concluded between Celixir plc and Cell Therapy Limited, as described in Note 15. From 12th April 2017, the Company became a wholly owned subsidiary of Celixir plc.

Research expenditure amounted to £2,576,099 (2016: £742,556) and the Company recorded a loss of £4,768,493. (2016: loss of £3,043,446).

Directors

The directors who served in the year were as follows:

Professor Sir Martin Evans
Lord Digby Marritt Jones (resigned 26th January 2018)
Mr Ajan Reginald
Mr Mark Beards (resigned 31st December 2017)
Mr David Preston
Dr Sabena Sultan
Dr Lee Chapman (appointed 12th April 2017)
Dr Nigel Scott (appointed 12th April 2017)
Duncan Ribbons (appointed 12th April 2017)
Mr Mark Hughes (resigned 30th April 2017)
Mr Mubasher Sheikh
Mr Rhodri Morgan (deceased 17th May 2017)
Mr Anthony Bird
Dr Francesco Granata (resigned 16 September 2016)
Dr Darrin Disley (resigned 12th April 2017)
Mr Chaim Hurvitz (resigned 12th April 2017)

Disclosure of information to auditor

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

Directors' report (Continued)

Results and dividends

The loss for the year after taxation was £4,768,493 (2016 loss £3,043,446). This loss was after a taxation charge of £Nil (2016: £Nil). The directors do not propose that a final dividend for the year be paid (2016: £Nil).

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.

Small company special provisions

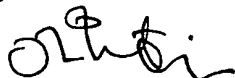
The report of the directors has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

This report was approved by the board on 26th April 2018, taking advantage of special exemptions available to small companies.

Going concern

The directors continue to raise funds from various sources. The Company's parent, Celixir plc has raised funding of £1.4m in the year to 31 July 2017, and in 2016 the Company received £12.5m of upfront payments for a Japanese Heartcel license. This funding is intended to finance the clinical development of Heartcel™ in Europe. As at the date of this report, the Company has cash balances of £7,318,450 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

Cell Therapy Limited
Celixir House, Innovation Way
Stratford Upon Avon CV37 7GZ

Company Number: 06970743

26th April 2018

Cell Therapy Limited

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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELL THERAPY LIMITED

Opinion

We have audited the financial statements of Cell Therapy Limited ("the Company") for the year ended 31 July 2017 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

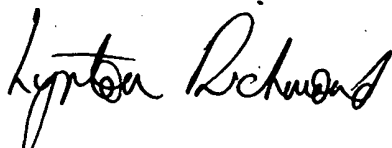
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



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

30th April 2018

Cell Therapy Limited

Statement of comprehensive income

For the year to 31 July

	Notes	2017 £	2016 £
Other operating income	3	639,919	-
Operating and administrative expenses	4	(5,453,976)	(3,062,108)
Operating Loss before Interest		(4,814,057)	(3,062,108)
Finance income	6	45,564	18,662
Operating Loss before taxation		(4,768,493)	(3,043,446)
Taxation	7	-	-
Loss for the year		(4,768,493)	(3,043,446)
Other comprehensive income for the year		-	-
Total Comprehensive Loss		(4,768,493)	(3,043,446)

All results arise from continuing operations.

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

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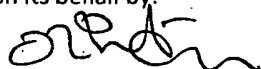
Balance sheet

At 31 July

	Note	2017 £000	2016 £000
Fixed assets			
Intangibles assets	8	718,284	407,280
Tangible assets	9	347,469	65,630
Investments	11	7,607	5
		<u>1,073,360</u>	<u>472,915</u>
Current assets			
Debtors (including £1,424,490 (2016: £510,222) due after more than one year)	12	2,955,206	644,414
Cash at bank and in hand		9,537,341	15,867,173
		<u>12,492,547</u>	<u>16,511,587</u>
Creditors: amounts falling due within one year	13	(453,586)	(450,069)
Net current assets		<u>12,038,961</u>	<u>16,061,518</u>
Total assets less current liabilities		<u>13,112,321</u>	<u>16,534,433</u>
Creditors: amounts falling due after more than one year	13	(11,860,145)	(12,500,005)
Net assets		<u>1,252,176</u>	<u>4,034,428</u>
Capital and reserves			
Called up share capital	14	19,965	19,882
Share premium account	15	10,454,868	8,863,101
Capital contribution reserve	16	484,384	-
Share based payment reserve	17	-	89,993
Profit and loss account		(9,707,041)	(4,938,548)
Shareholders' funds		<u>1,252,176</u>	<u>4,034,428</u>

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

These financial statements were approved by the board of directors on 26th April 2018 and were signed on its behalf by:



David Preston
Director and Company Secretary
Company Number: 06970743

Cell Therapy Limited
Celixir House, Innovation Way
Stratford Upon Avon CV37 7GZ

Cell Therapy Limited

Statement of changes in equity

	Called up share capital	Share premium account	Capital contribution reserve	Share Based Payment	Retained earnings	Total equity
	£	£	£	£	£	£
Balance 1 August 2015	18,497	2,499,943	-	371	(1,895,102)	623,709
Issue of shares (net of issue costs)	1,385	6,363,158	-	-	-	6,364,543
Share based Payment	-	-	-	89,622	-	89,622
Total comprehensive loss year to 31 July 2016	-	-	-	-	(3,043,446)	(3,043,446)
Balance 31 July 2016	19,882	8,863,101	-	89,993	(4,938,548)	4034,428
Issue of shares (net of issue costs)	83	1,591,767	-	-	-	1,591,850
Equity settled share based payment	-	-	394,391	-	-	394,391
Group share based payment	-	-	89,993	(89,993)	-	-
Total comprehensive loss year to 31 July 2017	-	-	-	-	(4,768,493)	(4,768,493)
Balance 31 July 2017	19,965	10,454,868	484,384	-	(9,707,041)	1,252,176

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

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Notes to the accounts

1. Accounting policies

Basis of preparation

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

The registered number is 06970743 and the registered address is Celixir House, Innovation Way, Stratford upon Avon CV37 7GZ.

The Company was incorporated on 23rd July 2009. A share for share exchange occurred on 12th April 2017 with the shareholders of Celixir plc, to directly mirror the shareholdings in the Company within the newly formed holding company. The shareholders of the former Company were identical in all respects immediately prior to the exchange to those of Celixir plc immediately post exchange. Therefore, Cell Therapy Limited is now a wholly owned subsidiary of Celixir plc, and the financial statements presented are solely for the Company, throughout the 12 months to 31st July 2017.

The Company's financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

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

In the translation to FRS 101 from adopted IFRS, the Company has made no measurement and recognition adjustments.

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 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 group settled share based payments

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Judgments 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.

Going concern

The Company's financial statements show a loss after tax for the year of £4,768,493 (2016: Loss of £3,043,446) and a net asset position of £1,252,176 (2016: £4,034,428).

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

Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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 [except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income]. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations are translated to the Company's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the FCTR, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts

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

License and Royalty revenue is recognised in accordance with IFRS 15 *Revenue from Contract with Customers* (effective date 1st January 2018), on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis 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.

Other income including licenses and government grants

License income is recognised in line with performance conditions contained in the license agreement being 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.

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.

Financing income and expenses

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

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

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available against which the temporary difference can be utilised.

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
Motor Vehicles	3 years
Manufacturing Equipment	2-5 years
Leasehold Improvements	2-5 years

Intangible assets

Intangible assets represent costs relating to the Company's patent applications, and to specialist software acquired by the business. Costs associated with patent applications are carried at cost until revenue related to the respective patents are generated, following which they will be amortised over the remaining life of the patents, or if not granted, the costs will be fully impaired immediately. Costs associated with software are carried at cost and amortised over a period of 2-5 years.

Expenditure on research activities is recognised in the 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.

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Stocks

Stocks include raw material inputs (e.g. bone marrow, platelet lysate), work-in-progress, and finished goods. Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Consumables that would be used to transform raw materials into finished goods, that are of low individual value, are charged to the income statement in the period they are purchased.

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, prior to the vesting date, the Company modifies the terms and conditions on which the equity instruments were granted, and if the fair value of the new instruments is more than the fair value of the old instruments (e.g. by reduction of the exercise price or issuance of additional instruments), the incremental amount will be recognised over the remaining vesting period in a manner similar to the original amount.

Where the Company's parent grants rights to its equity instruments to the the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled.

Investments in subsidiaries and associates

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

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 exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Cell Therapy Limited

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.

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.

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.

Interpretations early adopted by the Company

The following standard was relevant to the Company and early adopted by the Company in 2016:
IFRS 15 Revenue from Contracts with Customers

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

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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 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.

Revenue recognition

In determining the length of time over which to recognize the deferred income received in 2016 from Daiichi Sankyo, a period of 20 years has been used, referring to the expected length of the patent for Heartcel in Japan, which was granted in 2017. This assumption is based on the patent remaining in force and not being successfully challenged during this period, and the license agreement remaining in force over this time. Should either of these assumptions need to be changed, then the remaining time to recognize the deferred income pay need to be changed accordingly.

Principal 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 Daiichi Sankyo, the risk is that either the technology cannot be sufficiently developed for approval and released into the Japanese 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 3.

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.

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3. Other income and deferred income

An analysis of the Company's income is as follows:

Other income	2017	2016
	£	£
Up front Licence fee from Daiichi Sankyo	12,500,000	12,500,000
Less amount deferred under IFRS 15	(11,860,081)	(12,500,000)
Total other income	639,919	-
 Deferred Revenue	 2017	 2016
	£	£
Arising from the Daiichi Sankyo License Fee	11,860,081	12,500,000
	11,860,081	12,500,000
 Current	 639,976	 -
Non-Current	11,220,105	12,500,000
	11,860,081	12,500,000

In April 2016, the Company granted a Japan license for its innovative cardiac regeneration medicine, Heartcel™ (immuno-modulatory progenitor [iMP] cells) to Daiichi Sankyo. Daiichi Sankyo will undertake all development, regulatory and commercial activities for iMP cells in the territory of Japan only, while the Company retains its worldwide rights outside of Japan as well as global manufacturing responsibilities. Under the terms of the agreement, the Company received a £12.5 million upfront nonrefundable licensing fee and there will be additional milestone payments and royalties.

The upfront licensing fee is recognised in accordance with IFRS15. An analysis of the material obligations of the Group within the license agreement was conducted, and then as estimate of the proportion of the deferred income relevant to each material obligation was calculated. Certain obligations relate to the period of development prior to approval of Heartcel in Japan, which was estimated at 5 years. Other obligations were estimated to be delivered over a 20 year period, the minimum term of the patent for Heartcel in Japan (granted in 2017). AN annual review of these estimates is conducted each year.

4. Loss for the year

Loss before taxation is stated after charging / (crediting):

	2017	2016
	£	£
Research and development expenditure	2,576,099	742,556
Depreciation of property, plant and equipment	70,394	12,302
Hire of premises - operating leases (Note 18)	94,780	42,016
Foreign exchange losses/(gains)	(83,749)	7,888

Cell Therapy Limited

4. Notes to the loss for the year (continued)

	2017	2016
<i>Auditors' remuneration</i>		
	£	£
Amounts receivable by the Company's auditor and its associates in respect of:		
Tax compliance services	25,180	4,000

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

5. Staff numbers and costs

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

	12 Months to 31 July 2017	12 Months to 31 July 2016
	£	£
Average number of employees:		
Research & development	14	11
Administration	18	11
	<u>32</u>	<u>22</u>

The aggregate payroll costs for these persons were as follows:

	12 Months to 31 July 2017	12 Months to 31 July 2016
	£	£
Wages & salaries	2,418,907	958,076
Social security costs	254,956	88,063
Other pension costs	153,772	152,647
Share based payment charge	394,391	89,622
	<u>3,222,026</u>	<u>1,288,408</u>

Directors' remuneration

	Year to 31 July 2017			Year to 31 July 2016		
	Basic Pay £	Benefits £	Total £	Basic Pay £	Benefits £	Total £
<i>Executive</i>						
Professor Sir Martin Evans	20,310	105,030	125,340	9,483	-	9,483
Ajan Reginald	381,225	252,308	633,533	165,991	187,946	353,937
Mark Béards	150,000	2,195	152,195	108,894	561	109,455
Mark Hughes	100,000	1,639	101,639	75,967	561	76,528
David Preston	70,833	51,967	122,800	50,000	25,561	75,561
Dr Sabena Sultan	170,833	51,912	222,745	97,500	1,458	98,958
Dr Nigel Scott	107,218	1,750	108,968	-	-	-
Duncan Ribbons	110,321	1,904	112,225	-	-	-

Cell Therapy Limited

5. Staff numbers and costs (continued)

Directors' remuneration (continued)

Non-executive

Lord Digby Jones	97,500	-	97,500	55,834	-	55,834
Anthony Bird	22,917	27,607	50,524	14,583	-	14,583
Dr Darrin Disley	25,000	-	25,000	-	14,583	14,583
Dr Francesco Granata	12,083	-	12,083	14,583	-	14,583
Chaim Hurvitz	27,083	-	27,083	14,583	-	14,583
Rhodri Morgan	20,833	-	20,833	36,083	-	36,083
Mubasher Sheikh	-	-	-	-	-	-
Total	1,316,156	496,312	1,812,468	643,501	230,670	874,171

During the year, Ajan Reginald received £100,000, via his company Elixir Inventions Limited, in exchange for Company taking full control over all intellectual property invented by Mr Reginald. The Company also paid a total of £83,357 into pensions for Mr Reginald. Other benefits in kind received by Mr Reginald totalled £8,951.

During the year, Sir Martin Evans received £100,000, via his company Sun Force Limited, in exchange for Company taking full control over all intellectual property invented by Sir Martin.

During the year, Dr Sabena Sultan received £50,000 from the Company in exchange for all intellectual property invented by Dr Sultan.

6. Finance income

	2017	2016
	£	£
Interest income:		
Bank deposits	34,327	18,662
Intercompany loans	11,237	-
	45,564	18,662

7. Taxation

	12 Months to 31 July 2017	12 Months to 31 July 2016
	£	£
Recognised in profit or loss	-	-
Reconciliation of Effective Tax Rate	2017	2016
	£	£
Loss for the year	(4,768,493)	(3,043,446)
Tax using the UK corporation tax rate of 20% (2016:20%)	(953,699)	(608,689)
Current year losses for which no deferred tax asset was recognised	953,699	608,689
Total tax expense	-	-

Cell Therapy Limited

7. Taxation (continued)

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. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. 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 recognized

	£
Estimated tax loss as at 31 July 2016	(5,790,938)
Loss for the current year	(5,482,392)
Add back entertaining during the year	<u>19,543</u>
Estimated tax loss as at 31 July 2017	<u>(11,253,787)</u>

8. Intangible asset

	Patents and Trademarks £	Software £	Total £
Cost			
As at 31 July 2016	428,884	-	428,884
Additions	307,458	4,853	312,311
As at 31 July 2017	736,342	4,853	741,195
Amortisation and Impairment			
As at 31 July 2016	21,604	-	21,604
Impairment in year	-	-	-
Amortisation in year	-	1,307	1,307
As at 31 July 2017	21,604	1,307	22,911
Carrying Amount			
At 31 July 2017	714,738	3,546	718,284

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

The value of the Intangible Assets is periodically reviewed to ensure there was no need for impairment. The reviews as at 31 July 2016 and as at 31 July 2017 revealed that there was no need for impairment.

Cell Therapy Limited

9. Property, Plant and Equipment

	Office and Laboratory Equipment £	Fixtures and Fittings £	Leasehold Improvements £	Motor Vehicles £	Total £
Cost					
As at 31 July 2016	32,624	-	-	50,150	82,774
Additions	163,773	13,017	11,228	203,240	391,258
Disposal	-	-	-	(61,580)	(61,580)
As at 31 July 2017	196,397	13,017	11,228	191,810	412,452
Accumulated Depreciation					
As at 31 July 2016	11,572	-	-	5,572	17,144
Charge in year	15,400	432	-	54,562	70,394
Disposal	-	-	-	(22,555)	(22,555)
As at 31 July 2017	26,972	432	-	37,579	64,983
Carrying Amount					
At 31 July 2017	169,425	12,585	11,228	154,231	347,469
At 31 July 2016	21,052	-	-	44,578	65,630
At 31 July 2016	407,280	-	-	407,280	

10. Stock

As at 31st July 2017 the Company held no stocks of raw materials or finished goods (2016: £nil).

Cell Therapy Limited

11. Subsidiaries

The Group of which the Company is a subsidiary consists of a parent company, Celixir plc, incorporated in the UK, together with a single directly owned subsidiary, Cell Therapy Limited, and a number of subsidiaries held directly and indirectly by Cell Therapy Limited, which operate and are incorporated around the world, as detailed below.

	Country of incorporation	Class of shares held	Status	As at 31 July 2017	As at 31 July 2016
Myocardion Limited a	UK	Ordinary	Active	100%	100%
Myocardion Malaysia Snd Bhd	Malaysia	Ordinary	Dormant	100%	100%
Cell Therapy Skincel Limited a	UK	Ordinary	Dormant	100%	100%
Cell Therapy Diabetes Limited a	UK	Ordinary	Dormant	100%	100%
Cell Therapy Oncology Limited a	UK	Ordinary	Dormant	100%	100%
Cell Therapy Tendóncel Limited a	UK	Ordinary	Dormant	100%	100%
Heartcel (Japan) Limited a	UK	Ordinary	Dormant	100%	100%
Regenety Limited a	UK	Ordinary	Dormant	100%	100%
Κυτταρική Θεραπεία Ελλάς Εταιρία Περιορισμένης Ευθύνης (Cell Therapy Hellas) c	Greece	Ordinary	Active	100%	100%
Celixir Innovations Limited a	UK	Ordinary	Dormant	100%	-
Bioreactor Corporation Limited a	UK	Ordinary	Dormant	100%	-
Celixir (Singapore) Pte Ltd d	Singapore	Ordinary	Dormant	100%	-

Registered addresses. : a. Celixir House, innovation Way, Stratford upon Avon Warwickshire CV37 7GZ
b. No 3, Jalan , SS1/15, Kg Tunku, 47300 Petaling Jaya, Selangor, Malaysia
c. 1 North Bridge Road #10-09, High Street Centre, Singapore
d. 6th KLM Thermis-Charilou, 57001, DROSIA 18, Greece

Investment in subsidiaries

	£
Cost	
At 1 August 2016	5
Additions	7,602
At 31 July 2017	<u>7,607</u>
Net book value 1 August 2016	5
Net book value 31 July 2017	<u>7,607</u>

Cell Therapy Limited

12. Trade and other receivables

Total due within one year:	2017	2016
	£	£
Trade receivables	-	-
Prepayments	262,240	88,778
Directors' loans	1,386	-
Owed by Group undertakings	1,109,767	-
Other receivables	157,323	45,414
Total due within one year	<u>1,530,716</u>	<u>134,192</u>

Total due after one year:	2017	2016
	£	£
Owed by Group undertakings	<u>1,424,490</u>	<u>510,222</u>
	<u>1,424,490</u>	<u>510,222</u>

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

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

13. Trade and other payables

	2017	2016
	£	£
Due within one year		
Trade payables	174,000	198,580
Directors' loans	-	12,054
Non-trade payables and accrued expenses	279,586	239,435
	<u>453,586</u>	<u>450,069</u>

	2017	2016
	£	£
Due after one year		
Amounts owed to Group undertakings	64	5
Deferred income	11,860,081	12,500,000
	<u>11,860,145</u>	<u>12,500,005</u>

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

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

Cell Therapy Limited

14. Called up share capital

Celixir plc was incorporated on 28th December 2016. On 12 April 2017, a share exchange offer was concluded with Celixir plc (PLC). Each shareholder was offered 3 PLC A Shares for each A Share they held in Cell Therapy Limited (CTL) and 3 PLC B Shares for each B Share they held in CTL. The only exception to this was that Ajan Reginald, as the holder of the initial subscriber share in Celixir plc, was offered 1 less PLC A Share to reflect his existing shareholding in Celixir plc. Therefore, from 12 April 2017 CTL became a wholly owned subsidiary of Celixir plc.

The status of called up share capital for Company is detailed below:

Allotted, called up and fully paid

	2017	2016
Number		
Ordinary A shares of 1p each at start of year	1,975,271	1,836,859
Ordinary A shares of 1p each allotted in the year	8,166	138,412
Ordinary A shares of 1p each at end of year	1,983,437	1,975,271
Ordinary B shares of 1p each at start of year	12,947	12,947
Ordinary B shares of 1p each allotted in the year	99	-
Ordinary B shares of 1p each at end of year	13,046	12,947
	£	£
Ordinary A shares of 1p each (1,983,437 shares)	19,835	19,753
Ordinary B shares of 1p each (13,046 shares)	130	129
	19,965	19,882

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.

Cell Therapy Limited

15. Share Premium

On 12th April 2017 a share for share exchange was enacted with the shareholders in Cell Therapy Limited ("CTL") receiving 3 shares in Celixir plc for every share held in CTL. The status of the share premium for the Company is detailed below:

	Share Premium £
Balance on 31 July 2015	2,499,943
Premium arising on the issue of shares issued in year	6,619,986
Less expenses of the issue of shares written off	(256,828)
Balance on 31 July 2016	8,863,101
Premium arising on the issue of shares issued in year	1,598,382
Less expenses of the issue of shares written off	(6,615)
Balance on 31 July 2017	<u>10,454,868</u>

16. Share based payment

Equity-settled share option scheme

On 12th April 2017, a share for share exchange was enacted with the shareholders in Cell Therapy Limited ("CTL") receiving 3 shares in Celixir plc for every share held in CTL. Until this date, CTL had a share option scheme for certain employees. At the exchange, share options granted to employees in CTL were cancelled, and replaced by new options in Celixir plc, in a 3:1 ratio to those cancelled, and on exactly the same terms regarding exercise price and vesting period.

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

	Weighted average exercise price 2017	Number of options 2017	Weighted average exercise price 2016	Number of options 2016
Outstanding at the beginning of the year	£5.62	293,008	£1.00	142,500
Granted during the year	£25.00	52,100	-	-
Cancelled during the year and replaced with Group scheme	-	(345,108)	-	-
Issued during the year	-	-	£10.00	150,508
Outstanding at the end of the year	-	-	£5.62	293,008
Exercisable at the end of the year	-	-	-	-

Cell Therapy Limited

16. Share based payment (continued)

Grant date / employees entitled	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life of options
Equity settled award to employees of Cell Therapy Limited granted by parent on 12 April 2017.	Equity	987,024	3 years employment	10 years

17. Share based payment reserve

	£
As at 1 August 2015	371
Credit for the year	89,622
As at 31 July 2016	89,993
Transfer to capital contribution reserve	(89,993)
As at 31 July 2017	-

18. Operating lease

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

	2017 £	2016 £
Future minimum lease payments:		
Within one year	120,146	48,117
In the second to fifth years inclusive	624,966	52,968
After five years	811,890	-
	<u>1,557,002</u>	<u>101,085</u>

During the year £94,780 was recognised as an expense in the income statement in respect of operating leases.

Cell Therapy Limited

19. Related parties

The amount owed by Mr Ajan Reginald to the Company comprised of a Director's loan of £1,386, and an amount owed to Mr Reginald due to business expenses of £773.

Dr Sabena Sultan received £50,000 from the Company in exchange for all intellectual property invented by Dr Sultan.

As at 31 July 2017, Directors of the Company and their immediate relatives controlled 79% of the voting shares of the holding company of Cell Therapy Limited, Celixir plc (2016: 87% of the Company held directly). The compensation of directors of the company is disclosed in Note 5. Consultancy fees received by directors as per this note are also included in the total compensation disclosed in Note 5.

On 11th July 2017, the Company signed the leasehold for Celixir House, to act as the Company's corporate headquarters. The Bird Group, controlled by Mr Anthony Bird, is the owner of the property, and received £27,607 as rent in the year.

Transactions with other related parties

Kathryn Fallon, spouse of Mr. Ajan Reginald, was employed by the Company and was remunerated in the year at a cost of £42,792 (2016: £27,000). A balance of £nil was owed at the year-end (2016: £2,722) in relation to expenses. In the year, £2,766 was paid to Mrs Fallon as reimbursed business expenses. £6,355 was paid to Mrs Fallon as rent on a property owned by her for a member of staff on temporary relocation (2016: £nil)

Lady Judith Evans, spouse of Professor Sir Martin Evans, was employed by the Company and was remunerated in the year at a cost of £15,042 (2016: £24,000). No balance was owed at the year-end (2016: £nil).

Zita Sheikh, spouse of Mr. Mubasher Sheikh, was employed by the Company and was remunerated in the year at a cost of £15,042 (2016: £12,000). No balance was owed at the year-end (2016: £nil).

Cell Therapy Limited

19. Related parties (continued)

Other related Party transactions

	Sales to		Administrative Expenses	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Subsidiaries	-	-	16	-
	-	-	16	-

	Receivables outstanding		Creditors Outstanding	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Subsidiaries	-	-	2,534	11
	-	-	2,534	11

20. License granted by CTL to Alliances Bioscience Co. Ltd

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

21. Acquisition of Coldra Limited patent portfolio

On 22nd December 2016, the Company acquired a portfolio of patents regarding a specific siRNA sequence from Coldra Limited. The consideration for the acquisition was a total of £742,583, comprising £267,563 in cash, and £475,020 from 3,770 newly issued 'A' shares in Cell Therapy Limited. The acquisition was free from any liabilities. This intangible asset was sold to a subsidiary, Regenety Limited, at book value prior to year end.

22. Events after the balance sheet date

On 29th September 2017, the Company received approval from the MHRA, the UK regulatory agency, to start a clinical trial with Heartcel, in patients with heart failure undergoing coronary artery bypass graft surgery. This trial will take place at the Royal Brompton and Harefield NHS Trust.