Registered Number 10541091

Celixir plc

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

Contents

Directors' report

The directors present their annual report on the affairs of the Group, together with financial statements and auditor's report for the year ended 31 July 2020.

Details of significant events since the Statement of Financial Position date are contained in Note 26.

Principal activities

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

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

Directors

The directors who served in the year and to the date of this report, unless stated otherwise, were as follows:

Professor Sir Martin Evans, President and Chief Scientific Officer
Dr Darrin Disley, Non-executive director and Chairman
Mr Chaim Hurvitz , Non-executive director
Professor Fiona Murray, Non-executive director
Professor Gary Pisano, Non-executive director (resigned 27 May 2020)
Mr Ajan Reginald, Chief Executive Officer

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 Group'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 Group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Political and charitable contributions

The Group made no political donations or incurred any political expenditure during the year (2019: £nil). The Group made £5,250 of charitable donations during the year (2019: £44,000).

Auditor

Grenfell James Audit LLP were appointed as auditor during the year and have expressed their willingness to continue in office as auditor. A resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Financial instruments

See Note 23 for information on financial instruments.

CELIXIR
REGENERATIVE MEDICINE FOR LIFE

Directors' report (continued)

Going concern

The directors have prepared these financial statements on the basis that Celixir plc ("the Company") and its subsidiaries ("Celixir" or "the Group") are a going concern and able to meet their liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

At 31 July 2020, Celixir had cash available of £2m (2019: £3.2m). Since the year end, the Group has incurred cash expenses of approximately £500k, resulting in cash balances of £1.5m at the date of these financial statements. A Research & Development tax credit of £696,265 has been calculated and will be submitted to HMRC by the end of the calendar year.

The ability of the Group to continue operations in its current capacity is dependent on additional equity finance being raised, which will depend on data from the clinical trial. Discussions with prospective investors are in progress. In addition, opportunities continue to be considered to build on the out-licensing of Heartcel to Daiichi Sankyo for Japan, by out-licensing in additional geographies.

Any such out-licence would be expected to include significant upfront payments to the Group.

The principal operational objective of the Group is to undertake the planned phase IIB clinical trial for Heartcel in Europe; positive data from which would be expected to result in significant interest from prospective investors and licensing partners.

However, the directors recognise that there will always be uncertainty in relation to the outcome of such discussions and that there is no certainty that the targeted funding will be secured. Accordingly, the directors have planned for a range of potential scenarios for the business, including those not dependent on raising significant new equity or licensing income. In the absence of additional funding being secured, there would be a focus on supporting the development of Heartcel in Japan by Daiichi Sankyo, and the directors would implement further cost savings to keep operations running at a reduced capacity, including headcount reductions, trial cost and other overhead savings. These will supplement the recent suspension of manufacturing (see Note 26).

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

Given the nature of the business, the directors have a reasonable lead time in which to assess the likelihood of additional funding being available and will, if necessary, scale back the level of operational activity to allow cash to be conserved over a longer period.

On the basis of the above, the directors have concluded that it remains appropriate to prepare these financial statements on the going concern basis.

Directors' report (continued)

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 the parent company financial statements, the directors are required to:

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

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

Signed on behalf of the Board of Directors

Ajan Reginald
Director and Chief Executive Officer
Celixir plc
Celixir House
Innovation Way
Stratford Upon Avon
CV37 7GZ
17th November 2020

Company Number: 10541091

Strategic Report

Review of business

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

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

Daiichi Sankyo continues to progress the development of Heartcel for the Japanese market, through the licensing partnership entered into in 2016 and Celixir continues to develop its portfolio of over 50 patent applications, of which to date 35 have been granted.

The directors have undertaken an impact assessment of Brexit and have concluded that this should not have any significant impact on operations in the foreseeable future.

Risks and uncertainties

The directors consider that the main risks facing the Group are a delay to the commencement of the clinical trial in Europe if regulatory approvals to proceed are not granted within planned timescales, or if trials commence but are required to be halted. Celixir is currently working with the relevant authorities in two European countries and hopes to begin patient recruitment in Q4 2020 or in early 2021.

While the results of the trial cannot be predicted with certainty, the directors expect to see improvements in patients treated with Heartcel.

Performance

The loss for the year after taxation was £2,133,788 (2019: £2,597,195 – *restated following adoption of IFRS 16: Leases*). This loss was after research and development tax credit claims of £839,485 (2019: £3,208,318), relating to the financial year 2019/20. No dividend for the year has been paid or is proposed (2019: £nil).

Key Performance Indicators

<u>Monthly burn-rate and funding</u>

The Group has focused on securing funding for calendar year 2021 and to reach a data milestone in financial year 2020/2021, reducing its cost base throughout financial year 19/20 and optimizing spending to ensure that there will be sufficient funding to reach a data milestone in financial year 2020/2021, and has successfully reduced its monthly burn rate to targeted levels of less than £200,000 per month (financial year 2018/2019: £350,000 per month).

Strategic Report (continued)

Additional clinical trial sites and data milestone

The directors are focused on securing additional international clinical trial sites in Europe, to mitigate SARS-CoV-2 risk of trial delays and to reach a data milestone within 6 months of the trial restarting. Discussions are progressing well, and the CRO (Clinical Research Organisation) engaged to lead the European trials is making good progress with the set-up arrangements which precede patient recruitment and dosing.

Signed on behalf of the Board of Directors

Ajan Reginald
Director and Chief Executive Officer
Celixir plc
Celixir House
Innovation Way
Stratford Upon Avon
CV37 7GZ
17th November 2020

Company Number: 10541091

Independent auditor's report to the members of Celixir plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Celixir plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to

Independent auditor's report to the members of Celixir plc (continued)

adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

Independent auditor's report to the members of Celixir plc (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

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

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

Consolidated statement of comprehensive income
Year ended 31 July 2020

	Notes	2020 £	2019 *(restated)* £
Continuing operations			
Revenue	4	**664,324**	782,907
Cost of sales		**-**	(170,000)
Gross profit		**664,324**	612,907
Operating expenses		**(3,601,367)**	(5,529,905)
Impairment charges	13	**(132,480)**	(707,555)
Operating loss	5	**(3,069,523)**	(5,624,553)
Finance income	8	**1,244**	23,205
Finance costs		**(13,866)**	(34,935)
Loss before taxation		**(3,082,145)**	(5,636,283)
Taxation	9	**696,343**	3,208,318
Loss for the year from continuing operations		**(2,385,802)**	(2,427,965)
Profit / (loss) from discontinued operations	10	**252,014**	(169,230)
Loss for the year		**(2,133,788)**	(2,597,195)
Other comprehensive income			
Exchange movements on translation of foreign operations	11	**12,281**	(21,256)
Exchange movements on translation of discontinued operations	10	**(1,908)**	3,933
Total comprehensive loss for the year		**(2,123,415)**	(2,614,518)

Consolidated statement of financial position

As at 31 July 2020

	Notes	2020	2019
			(restated)
		£	£
Non-current assets			
Property, plant and equipment	12	**660,965**	1,270,185
Intangible assets	13	**1,179,416**	1,327,576
		1,840,381	2,597,761
Current assets			
Trade and other receivables	15	**334,576**	290,416
Cash at bank and in hand		**2,115,790**	3,154,134
Research and development tax credit		**696,265**	2,090,880
		3,146,631	5,535,430
Total assets		**4,987,012**	8,133,191
Current liabilities			
Trade and other payables	16	**(756,929)**	(1,221,179)
Deferred income	18	**(625,000)**	(658,828)
		(1,381,929)	(1,880,007)
Net current assets		**1,764,702**	3,655,423
Non-current liabilities			
Deferred income	18	**(9,375,000)**	(10,000,000)
Provisions	17	**(75,000)**	(60,000)
Other financial liabilities	16	**(263,774)**	(339,001)
		(9,713,774)	(10,399,001)
Total liabilities		**(11,095,703)**	(12,279,008)
Net liabilities		**(6,108,691)**	(4,145,817)
Equity			
Called up share capital	19	**62,240**	62,161
Share premium	20	**3,567,174**	3,406,681
Merger reserve	20	**10,981,212**	10,981,212
Treasury shares	21	**(145,134)**	(145,134)
Share-based payment reserve	22	**1,250,936**	1,250,967
Accumulated losses		**(21,803,165)**	(19,669,377)
Currency translation reserve		**(21,954)**	(32,327)
Total equity		**(6,108,691)**	(4,145,817)

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

Ajan Reginald
Director and Chief Executive Officer

Celixir plc
Celixir House, Innovation Way
Stratford-upon-Avon CV37 7GZ
Company no: 10541091

Consolidated statement of changes in equity
Year ended 31 July 2020

	Notes	Called up share capital £	Share premium £	Merger reserve £	Treasury shares £	Share based payment reserve £	Accumulated losses £	Currency translation reserve £	Total equity £
Balance at 1 August 2018		61,189	2,200,471	10,760,550	(145,134)	1,084,504	(17,072,182)	(15,004)	(3,125,606)
Issue of shares (net of issue costs)	19/20	592	1,206,210	-	-	-	-	-	1,206,802
Acquisition consideration	20	380	-	220,662	-	-	-	-	221,042
Share based payment	22	-	-	-	-	166,463	-	-	166,463
Loss for the year		-	-	-	-	-	(2,597,195)	-	(2,597,195)
Other comprehensive loss		-	-	-	-	-	-	(17,323)	(17,323)
Balance at 31 July 2019		62,161	3,406,681	10,981,212	(145,134)	1,250,967	(19,669,377)	(32,327)	(4,145,817)
Issue of shares (net of issue costs)	19/20	79	160,493	-	-	-	-	-	160,572
Share based payment	22	-	-	-	-	(31)	-	-	(31)
Loss for the year		-	-	-	-	-	(2,133,788)	-	(2,133,788)
Other comprehensive loss		-	-	-	-	-	-	10,373	10,373
Balance at 31 July 2020		62,240	3,567,174	10,981,212	(145,134)	1,250,936	(21,803,165)	(21,954)	(6,108,691)

Consolidated cash flow statement

Year ended 31 July 2020

	Notes	2020 £	2019 £
Loss for the year		**(2,133,788)**	(2,597,195)
Adjustments for:			
Finance income		**(1,244)**	(23,956)
Finance costs		**15,791**	36,345
Income tax credit		**(838,420)**	(3,208,318)
Depreciation of property, plant and equipment	12	**600,171**	633,804
Amortisation of intangible assets	13	**164,361**	428,746
Impairment of intangible assets	13	**132,480**	707,555
Share-based payment expense	22	**160,541**	166,463
Loss/(gain) on disposal of property, plant and equipment	12	**12,314**	270
Increase in provisions	17	**15,000**	60,000
Decrease in contingent consideration		-	(124,908)
Operating cash flows before movements in working capital		**(1,872,794)**	(3,921,194)
(Increase)/decrease in trade and other receivables		**(44,160)**	173,943
Decrease in trade and other payables		**(538,750)**	(78,857)
Decrease in deferred income		**(658,828)**	(829,986)
Cash used in operations		**(3,114,532)**	(4,656,094)
Research and development tax credit received		**2,232,308**	1,316,938
Interest paid		**(15,791)**	(36,345)
Net cash used in operating activities		**(898,015)**	(3,375,501)
Investing activities			
Interest received	8	**1,244**	23,956
Proceeds on disposal of property, plant and equipment	12	-	1,678
Purchases of property, plant and equipment		**(3,265)**	(84,320)
Purchases of intangible assets	13	**(148,681)**	(187,253)
Net cash used in investing activities		**(150,702)**	(245,939)
Financing activities			
Proceeds on issue of shares		-	1,206,802
Net cash from financing activities		-	1,206,802
Net decrease in cash and cash equivalents		**(1,048,717)**	(2,414,638)
Cash and cash equivalents at beginning of year		**3,154,134**	5,586,095
Effect of foreign exchange rate changes		**10,373**	(17,323)
Cash and cash equivalents at end of year		**2,115,790**	3,154,134

Notes to the consolidated financial statements

1. Accounting policies

1.1 Basis of preparation
Celixir plc (the "Company"), registered number 10541091, is a public company limited by shares, incorporated and domiciled in England and Wales. The registered office address is Celixir House, Innovation Way, Stratford-Upon-Avon CV37 7GZ, UK.

The Group's financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value, 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 Restatement of comparatives
The following comparatives have been restated in these financial statements:

	31 July 2019 as previously stated (£)	31 July 2019 adjustment (£)	**31 July 2019 restated (£)**
Statement of comprehensive income			
Operating expenses	(5,994,390)	20,073	**(5,974,317)**
Finance expenses	(9,461)	(26,884)	**(36,345)**
Statement of financial position			
Non-current assets			
Propert, Plant and equipment	810,757	459,428	**1,270,185**
Current liabilities			
Trade and other payables	(1,129,302)	(91,877)	**(1,221,179)**
Non-current liabilites			
Other financial liabilities	-	(339,001)	**(339,001)**
Capital and reserves			
Accumulated loss	(19,697,927)	28,550	**(19,669,377)**

On 1 August 2019 the company adopted the changes in IFRS 16 in relation to the recognition of finance leases. The comparatives for the relevant items in the statement of comprehensive income and statement of financial position have therefore been adjusted as shown. Please refer to note 24 for full disclosure.

1. *Accounting policies (continued)*

1.3 Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 July each year. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.4 Going concern
The Group's financial statements show a loss after tax for the year of £2,133,788 (2019: loss of £2,597,195) and net liabilities of £6,108,691 (2019: net liabilities of £4,145,817).

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

The directors have prepared these financial statements on the basis that Celixir plc ("the Company") and its subsidiaries ("Celixir" or "the Group") are a going concern and able to meet their liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

The Group has a good track record of raising equity funding, is targeting to raise additional funds in 2021 and discussions are in progress with prospective investors. In addition, opportunities continue to be considered to build on the out-licence of Heartcel to Daiichi Sankyo for Japan, by out-licensing in additional geographies. Any such out-licence would be expected to include significant upfront payments to the Group.

The directors have prepared cash flow forecasts for a period of 13 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

Given the nature of the business, the directors have a reasonable lead time in which to assess the likelihood of additional funding being available and will, if necessary, scale back the level of operational activity to allow cash to be conserved over a longer period.

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

1. Accounting policies (continued)

1.5 Business combinations

All business combinations are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated statement of comprehensive income, as incurred, in operating expenses.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent or deferred consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values that qualify as measurement period adjustments are adjusted against the cost of acquisition. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs and recognised immediately in the consolidated statement of comprehensive income. Changes in the fair value of contingent consideration classified as equity are not recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

1.6 Acquired intangible assets

Acquired technology-related intangible assets are amortised on a straight-line basis over their estimated useful lives in the range of 3 to 5 years.

1.7 Goodwill

Where consideration for an acquisition is in the form of cash, goodwill is measured as the excess of the sum of the consideration payable over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. It is recognised as an asset at the date control is acquired (the acquisition date), at cost less any accumulated impairment.

Where consideration is in the form of the Company's shares, which are not readily marketable, in accordance with IFRS 3, the acquisition-date fair value of the acquiree's equity interest is used as the measure of the fair value of the consideration, and no goodwill is recognised on the acquisition. Goodwill is not amortised but is reviewed for impairment annually, or more frequently if there is an indication that it may be impaired.

1. Accounting policies (continued)

1.8 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the rate of exchange ruling at that date, with exchange differences recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction and are not retranslated.

On consolidation, the assets and liabilities of foreign operations are translated to the Group's presentational currency, Sterling, at exchange rates prevailing at the statement of financial position date. The revenues and expenses of foreign operations are translated at an average rate for the year. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the currency translation reserve.

1.9 Revenue recognition

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

Licence and royalty revenues are recognised in accordance with IFRS 15 *Revenue from Contracts with Customers* (effective date 1 January 2018), on an accrual basis, in line with performance conditions, such as obtaining and maintaining relevant patents, in accordance with the substance of the relevant agreement (provided it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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

1.10 Financing income and costs

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

1.11 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Some companies within the group are eligible to apply for research and development tax credits, which are included within the tax balance in the statement of comprehensive income.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary

1. **Accounting policies (continued)**

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

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

Full provision is made for the Research and Development tax credit calculated at the tax rates effective for the current year, and it is shown as a separate line item under current assets on the statement of financial position. The Research and Development tax credit receivable has been recognised in full in the current year as there is now sufficient evidence available that these amounts will be received.

1.12 Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of each asset on the following bases:

Office and laboratory equipment	2 - 5 years
Motor vehicles	Up to 3 years (with appropriate residual values)
Manufacturing equipment	2 - 5 years
Leasehold improvements	2 - 5 years
Fixtures and fittings	3 years
Right-of-Use asset	5 years

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

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

Costs associated with patent applications, provided the patent is expected to be granted in due course, are carried at cost until the first patent in the respective patent family is granted. The costs are then amortised on a straight line basis over the period to patent expiry. If it becomes likely that a patent will not be granted, a patent is abandoned or an application is rejected, the costs associated with that patent will be fully impaired immediately.

Costs associated with software are carried at cost and amortised over a period of 2-5 years.
The technology-related intangible assets acquired with Desktop Genetics are being amortised over a period of 3 years from date of acquisition.

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

1. Accounting policies (continued)

1.13 Intangible assets (continued)

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

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

Impairment of non-financial assets
The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.
The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. If the carrying amount of an asset exceeds its estimated recoverable amount, an impairment loss is recognised and expensed.

1.14 Share-based payments
The Group issues equity settled share options to certain employees. The Black-Scholes option model is used to estimate the fair value of each option at date of grant. The fair value is expensed on a straight line basis over the vesting period based on the Group's estimate of the shares that will eventually vest.

1.15 Treasury shares
Shares of the parent Company purchased by the Celixir plc Employee Benefit Trust are held at cost and shown as a deduction in equity.

1.16 Financial instruments
Classification of financial instruments issued by the Group
Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations on the Group 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 Group; and

b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

1. Accounting policies (continued)

1.16 Financial instruments (continued)

To the extent that this definition is not met, the financial investment is classified as a financial liability.

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

Non-derivative financial instruments

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

1.17 IFRS amendments

Standards, amendments and interpretations effective in 2019/20 and adopted by the Group

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

At the statement of financial position date, the Group's financial instruments, which were all non-derivative, comprised trade debtors and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables do not carry any interest and are stated at amortised cost, less any appropriate allowances for estimated irrecoverable amounts.

IFRS 9 requires the Group to impair financial assets under the new expected credit loss model. The Group's credit loss model is to recognise a loss allowance of 100% against debtors over 120 days past due, based on historical experience that indicates that such balances are generally not recoverable.

Trade and other payables are not interest bearing and are stated at amortised cost.

Company investments in equity securities are carried at cost less impairment.

Cash and cash equivalents comprise cash balances only.

The Group did not have any financial instruments other than those that are initially recognised at fair value and subsequently measured on a FVTPL basis.

The carrying values of the Group's trade debtors, less impairment provision, and trade and other payables approximates to their fair values at the statement of financial position date.

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

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

1. Accounting policies (continued)

1.17 IFRS amendments (continued)

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

Adoption of the standard will result in a decrease to operating costs broadly offset by an increase in the combined depreciation and interest expense, resulting in a net immaterial impact to profit before tax.

Non-current assets and gross liabilities have increased.

There is no change to cash outflows.

The Group has elected not to recognise RoU assets and lease liabilities for short-term leases (with a term of 12 months or less) or low-value assets, on which the Group will continue to expense the lease payments on a straight line basis over the lease term.

2. Critical accounting judgements and key sources of estimation uncertainty

In application of the Group's accounting policies above, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future payments if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Impairment of intangible assets

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

During the year, certain patents have been abandoned and the appropriate impairment charge recognised in the statement of comprehensive income. The judgement of the directors is that the remaining patents, to the extent that they have not yet been granted, will be granted in due course and that their value in use exceeds their carrying value. As at 31 July 2020, the carrying amount of patents and trademarks, subject to this judgement, was £1,179,416.

Key sources of estimation uncertainty (continued)
Revenue recognition
The deferred income arising from the 2016 upfront licence payment from Daiichi Sankyo is being recognised over a period of 20 years, this being the expected life of the Heartcel patent, which was granted in 2017. This assumption is based on both the patent and licence agreement remaining in force over this period.

These assumptions are key judgements which are kept under regular review, and should the assumptions change, the period over which the deferred income is recognised may need to be changed. The annual revenue expected to be recognised in FY 2020/21 is £625,000, based on the recognition period of 20 years. For each one year reduction in the 20 year recognition period, the amount of revenue recognised for each year would increase by £33,000. However there would be no cash impact from any such change.

3. Segment analysis
Celixir is currently a small group which is organised as a single business unit with all key decisions being made by the Board of Directors of Celixir plc.

4. Revenue

	2020 £	2019 £
Daiichi Sankyo upfront licence fee recognised in year	**625,000**	595,105
Sale of clinical products for research purposes	**-**	170,000
Other revenue	**39,324**	17,802
	664,324	782,907

5. Operating loss
Operating loss is stated after charging/(crediting):

	2020 £	2019 £
Research and development expenditure	**2,319,247**	3,174,535
Depreciation of property, plant and equipment	**600,171**	633,804
Amortisation of acquisition intangible assets	**-**	281,328
Amortisation of other intangible assets	**164,361**	147,418
Impairment of acquisition intangible assets	**-**	515,784
Impairment of intangible assets	**132,480**	191,771
Loss on disposal of property, plant and equipment	**12,314**	270
Foreign exchange (gain)/loss	**19,541**	(22,373)
Auditor's remuneration:		
Audit of these financial statements and the company's subsidiaries	**25,000**	65,000
Amounts receivable by the Group's auditor and its associates in respect of:		
Tax compliance services	**6,000**	12,000

6. Employees

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

	2020	2019
Average number of employees:		
Research	**18**	29
Administrative	**8**	19
	26	48

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**1,226,015**	2,394,978
Social security costs	**168,193**	315,965
Other pension costs	**54,891**	63,036
Share-based payment charge	**(31)**	166,463
	1,449,068	2,940,442

7. Directors' remuneration

	2020			2019		
	Basic pay	**Benefits**	**Total**	Basic pay	Benefits	Total
	£	£	£	£	£	£
Aggregate emoluments	**421,081**	**41,836**	**462,917**	845,867	51,531	897,398

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

No directors exercised share options in the current or prior year. A share based payment charge of £10,620 in relation to share options granted to directors has been recognised in the Statement of Comprehensive Income

8. Finance income

	2020	2019
	£	£
Interest on bank deposits	**1,244**	23,956

9. Tax

	2020	2019
	£	£
Overseas tax charge for the year	**1,066**	706
Research and development tax credit	**(839,485)**	(923,759)
Adjustments in respect of R&D credit in prior years	-	(2,133,345)
Deferred tax	-	(151,920)
	(838,419)	(3,208,318)

Reconciliation of effective tax rate:	2020	2019
	£	£
Loss for the year	**(3,082,145)**	(5,798,702)
Tax using the UK corporation tax rate of 19% (2019: 19%)	**(585,608)**	(1,101,753)
Current year losses for which no deferred tax asset was recognised	**585,608**	1,101,753
Adjustments in respect of R&D credits in prior years	-	(2,133,345)
R&D tax credit	**(839,485)**	(923,759)
Deferred tax	-	(151,920)
Overseas tax charge for the year	**1,066**	706
Taxation credit	**(838,419)**	(3,208,318)

	£	£
Tax losses as at 1 August	**(10,913,604)**	(15,843,822)
Tax losses surrendered	**4,901,598**	21,083,469
Loss for the year	**(3,082,145)**	(5,798,702)
Enhanced deduction and other differences	**(2,534,277)**	(10,354,549)
Estimated tax losses as at 31 July	**(11,628,428)**	(10,913,604)

The current UK corporation tax rate is 19%, however, the Group expects to benefit from the UK Patent Box Corporation Tax regime from exploiting patented inventions which is based on a 10% CT rate.

10. Discontinued operations

During the year the directors of the Group made a unanimous decision to close the subsidiary group which included Desktop Genetics Ltd (08170120), and its subsidiary company Desktop Genetics Inc. The Desktop Genetics Group stopped trading on 30 June 2020 and is in the processing of being wound up. This was a strategic decision to align with the future direction of the Celixir Group.

The financial performance and cash flow information presented are for the 11 months ended 30 June 2020 and the year ended 31 July 2019.

10. Discontinued operations (continued)

	2020	2019
	£	£
Revenue	109,049	572,421
Cost of sales	(86,389)	(296,580)
Gross profit	22,660	275,841
Operating expenses	89,202	(444,412)
Operating profit/(loss)	111,862	(168,571)
Finance income	-	751
Finance costs	(1,925)	(1,410)
Profit/(loss) before taxation	109,937	(169,230)
Taxation	142,077	-
Profit/(loss) after tax of discontinued operations	252,014	(169,230)
Exchange movements	(1,908)	3,933
Other comprehensive (income)/expense from discontinued operations	(1,908)	3,933

	2020	2019
	£	£
Net cash inflow/(outflow) from operating activities	594,928	(801,524)
Net cash inflow from investing activities	-	751
Net cash (outflow)/inflow from financing activities	(600,536)	502,154
Net decrease in cash generated by the subsidiary	(5,608)	(298,619)

Assets and liabilities of discontinued operations

	2020	2019
	£	£
Property, plant and equipment	-	3,333
Trade and other receivables	5,314	497,523
Cash at bank and in hand	5,645	13,161
Total assets	10,959	514,017
Trade and other payables	16,548	117,547
Deferred income	-	51,630
Other financial liabilities	-	600,536
Total liabilities	16,548	769,713

11. Exchange movements

Other comprehensive income comprises exchange gains and losses arising from the translation of the assets and liabilities of foreign operations into the Group's presentational currency, Sterling, at the exchange rate prevailing at the statement of financial position date, and the revenues and expenses of those operations at the average rate for the year.

12. Property, plant and equipment

	Right-of-use asset £	Leasehold improve-ments £	Office and laboratory equipment £	Manufacturing facility £	Fixtures and fittings £	Motor vehicles £	Total £
Cost							
As at 1 August 2018	770,627	495,354	363,529	956,845	17,999	86,380	**2,690,734**
Additions	-	2,944	27,612	53,471	293	-	**84,320**
Disposals	-	-	(6,083)	-	-	-	**(6,083)**
As at 31 July 2019	770,627	498,298	385,058	1,010,316	18,292	86,380	**2,768,971**
Additions	-	3,265	-	-	-	-	**3,265**
Disposals	-	-	(29,043)	(9,021)	(35)	(86,380)	**(124,479)**
As at 31 July 2020	**770,627**	**501,563**	**356,015**	**1,001,295**	**18,257**	**-**	**2,647,757**

	Right-of-use asset £	Leasehold improve-ments £	Office and laboratory equipment £	Manufacturing facility £	Fixtures and fittings £	Motor vehicles £	Total £
Accumulated depreciation							
As at 1 August 2018	171,460	99,085	138,934	366,576	6,682	86,380	**869,117**
Charge in year	139,739	164,472	118,588	205,885	5,120	-	**633,804**
Disposals	-	-	(4,135)	-	-	-	**(4,135)**
As at 31 July 2019	311,199	263,557	253,387	572,461	11,802	86,380	**1,498,786**
Charge in year	140,816	165,603	93,241	195,117	5,394	-	**600,171**
Disposals	-	-	(25,785)	-	-	(86,380)	**(112,165)**
As at 31 July 2020	**452,015**	**429,160**	**320,843**	**767,578**	**17,196**	**-**	**1,986,792**
Carrying amount							
At 31 July 2020	**318,612**	**72,403**	**35,172**	**233,717**	**1,061**	**-**	**660,965**
At 31 July 2019	459,428	234,741	131,671	437,855	6,490	-	1,270,185

13. Intangible assets

	Patents and trademarks £	Software £	Acquired intangibles £	Total £
Cost				
As at 1 August 2018	1,786,012	4,853	844,000	**2,634,865**
Acquisitions	187,253	-	-	**187,253**
As at 31 July 2019	1,973,265	4,853	844,000	**2,822,118**
Acquisitions	148,681	-	-	**148,681**
As at 31 July 2020	**2,121,946**	**4,853**	**844,000**	**2,970,799**
Amortisation and impairment				
As at 1 August 2018	306,500	4,853	46,888	**358,241**
Amortisation for the year	147,418	-	281,328	**428,746**
Impairment charge	191,771	-	515,784	**707,555**
As at 31 July 2019	645,689	4,853	844,000	**1,494,542**
Amortisation for the year	164,361	-	-	**164,361**
Impairment charge	132,480	-	-	**132,480**
As at 31 July 2020	**942,530**	**4,853**	**844,000**	**1,791,383**
Carrying amount				
As at 31 July 2020	**1,179,416**	**-**	**-**	**1,179,416**
As at 31 July 2019	1,327,576	-	-	1,327,576

Intangible assets represent the costs associated with obtaining patents and specialist software acquired. Patents are amortised over the term of the patent, starting from the grant date. Software is amortised over 2-5 years and the charge is included within operating expenses in the Statement of Comprehensive Income.

Intangible assets are periodically reviewed for impairment. For the year ended 31 July 2020, an impairment charge of £132,480 has been recognised for certain minor patent applications and trademarks which the Group does not intend to progress/use, and the impairment charge has been included within operating expenses in the Statement of Comprehensive Income. This has no impact on the Group's principal patent applications which are in the process of being granted.

The carrying values and remaining periods of the Group's principal patents included above, are as shown below:

Patent	Description	Carrying value at 31 July 2020	Remaining period (years)
IMP1	Immuno-modulatory progenitor cell	262,275	15
PML	Progenitor cells of mesodermal lineage	252,262	12
siRNA	Materials and methods for treatment of allergic disease	432,485	5

14. Business combinations

There were no acquisitions in the year.

In the previous year, the company issued 38,017 shares to settle the contingent consideration due on it's investment in the Desktop Genetics Group. The investment was fully impaired in 2019.

15. Trade and other receivables

	2020	2019
	£	£
Less than one year		
Trade receivables	**5,308**	13,419
Prepayments	**160,246**	164,963
Taxation and social security	**14,057**	105,654
Other receivables	**76,394**	6,380
	256,005	290,416
More than one year		
Finance lease receivable	**78,571**	-
	334,576	290,416

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

The Group has only a small number of trade debtor balances. The Group's credit loss model is to recognise a loss allowance of 100% against debtors over 120 days past due, based on historical experience that indicates that such balances are generally not recoverable.

The following table details the risk profile of trade receivables at the statement of financial position date:

	Not past due	< 30	31-60	61-90	>90	Total
	£	£	£	£	£	£
As at 31 July 2020	5,308	-	-	-	-	5,308
Expected credit losses	-	-	-	-	-	-
Trade receivables	**5,308**	**-**	**-**	**-**	**-**	**5,308**

	Not past due	< 30	31-60	61-90	>90	Total
	£	£	£	£	£	£
As at 31 July 2019	-	13,419	17,801	-	-	31,220
Expected credit losses	-	-	(17,801)	-	-	(17,801)
Trade receivables	**-**	**13,419**	**-**	**-**	**-**	**13,419**

16. Trade and other payables

	2020 £	2019 £
Less than one year		
Trade payables	**115,148**	235,688
Director's loans	**932**	8,735
Taxation and social security	**55,587**	104,396
Non-trade payables and accrued expenses	**585,262**	872,360
	756,929	1,221,179
More than one year		
Finance lease	**263,775**	339,001
	1,020,704	1,560,180

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

17. Provisions

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

The provision represents management's best estimate of the potential costs to reinstate the Group's leased properties to their original condition.

18. Deferred income

Daiichi Sankyo upfront licence fee:	2020 £	2019 £
At start of year	**10,625,000**	11,220,105
Recognised in year	**(625,000)**	(595,105)
At end of year	**10,000,000**	10,625,000
Other deferred income	-	33,828
	10,000,000	10,658,828
Current	**625,000**	658,828
Non-current	**9,375,000**	10,000,000
	10,000,000	10,658,828

18. Deferred income (continued)

In April 2016, Cell Therapy Limited (CTL) granted a Japan licence 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, with Celixir retaining worldwide rights outside of Japan, together with global manufacturing responsibilities. Under the terms of the agreement, the Group received a £12.5 million upfront non-refundable licensing fee and there are potential additional milestone payments and royalties.

19. Called up share capital

Allotted, called up and fully paid:	**2020 Number**	2019 Number
A Ordinary shares of 1p each		
At start of year	**6,176,974**	6,079,771
Allotted in the year	**7,875**	97,203
At end of year	**6,184,849**	6,176,974
B Investment shares of 1p each		
At start of year	**39,138**	39,138
Allotted in the year	**-**	-
At end of year	**39,138**	39,138
	6,223,987	6,216,112

	£	£
A Ordinary shares of 1p each	**61,849**	61,770
B Investment shares of 1p each	**391**	391
	62,240	62,161

The holders of A Ordinary shares and B Investment shares are entitled to receive dividends as declared from time to time. The holders of A Ordinary shares are entitled to one vote per share at meetings of the Company. B Investment shares are non-voting. During the year, 7,875 shares were allotted to a supplier as consideration for services received.

20. Share premium and merger reserve

On 12 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 share premium in CTL as at the date of the share exchange was transferred into the merger reserve of the Group. The status of the share premium and merger reserve for the Group is detailed below:

	Share premium £	Merger reserve £
Balance at 1 August 2018	2,200,471	10,760,550
Premium arising on the issue of shares in the year	1,206,210	-
Acquisition consideration	-	220,662
Balance at 31 July 2019	3,406,681	10,981,212
Premium arising on the issue of shares in the year	160,493	-
Balance at 31 July 2020	**3,567,174**	**10,981,212**

21. Treasury shares

In March 2017, the Company entered into a trust deed to establish the Celixir plc Employee Benefit Trust, into which it transferred £78,463 used by the trust to purchase B Investment shares in the Company. During 2018, the Company transferred £66,671 to the trust which it used to make purchases of A Ordinary shares. The shares were held as treasury shares by the Company at 31 July 2019 and 2020.

22. Share-based payment

Equity-settled share option scheme

The Group has a share option scheme in which certain employees participate. On 12 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. At the exchange, share options granted to employees in CTL were cancelled, and replaced by new options using the same 3 for 1 ratio, with the exercise price of each option adjusted accordingly, such that there was no change in the value of the options immediately before and after the exchange. In all other respects, the terms regarding the exercise price and vesting period were unchanged. Options granted prior to the exchange are restated below as if they were options in Celixir plc from initial grant.

The vesting period is usually three years. If options remain unexercised after a period ten years from the date of grant the options expire. Options are forfeited in full if the employee leaves the Group before the options vest, except where they are determined to be a good leaver by the Remuneration Committee, in accordance with the scheme rules. Where an employee is determined to be a good leaver, a proportion of the option vests and becomes exercisable.

22. Share-based payment (continued)

The Group has granted share options in existence at the statement of financial position date as follows:

Number	Exercise price	Dates exercisable
394,500	£0.33	21 July 2018 to 21 July 2025
420,924	£3.33	25 April 2019 to 25 April 2026
60,000	£8.33	26 September 2019 to 26 September 2026
48,000	£8.33	13 October 2019 to 13 October 2026
20,000	£8.33	17 October 2019 to 17 October 2026
3,000	£8.33	1 November 2019 to 1 November 2026
15,241	£11.67	6 November 2021 to 6 November 2028
61,189	£11.67	26 March 2019 to 26 February 2029
79,663	£11.67	14 February 2023 to 14 February 2033

Details of the share option movements in the year and share options outstanding at the year end are as follows:

	2020		2019	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at beginning of period	**1,114,591**	**£3.94**	1,062,424	£3.32
Granted during the period	**79,663**	**£11.67**	108,904	£11.67
Forfeited during the period	**(91,737)**	**£11.67**	(56,737)	£7.16
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	**1,102,517**	**£3.86**	1,114,591	£3.94
Exercisable at the end of the period	**977,655**	**£3.06**	905,090	£2.56

The options outstanding at 31 July 2020 had a weighted average remaining contractual life of approximately 6 years (2019: 6.8 years).

Share-based payment reserve

	2020	2019
	£	£
At start of year	**1,250,967**	1,084,504
Credit for the year	**(31)**	166,463
At end of year	**1,250 936**	1,250,967

22. Share-based payment (continued)
The estimated fair value of the share options at the date of grant is calculated using the Black Scholes Option model, based on the following assumptions:

	2020	2019	2018	2017
Weighted average share price (£)	**4.91**	4.91	9.21	8.11
Weighted average exercise price (£)	**11.67**	11.67	9.10	8.33
Weighted average expected volatility	**24%**	25%	25%	29%
Expected life (years)	**10**	10	10	10
Risk free interest rate	**0.21%**	0.60%	1.12%	0.44%
Expected dividend yields	**0.00%**	0.00%	0.00%	0.00%

The expected term of stock options has been based on the weighted average remaining life of each option from the statement of financial position date to the last date exercisable. The prevailing market share price of £20.39 (2019: £20.39) was discounted using published success rates for Phase II to Phase III (2019: Phase II to Phase III success). Expected volatility has been set by reference to the implied volatility of similar shares in the open market (based on Nasdaq Biotech Index 1 year volatility). There was a credit for the year of £31 (2019: charge of £166,463).

23. Financial instruments: information on financial risk
The directors deem that at 31 July 2020 and 2019 the fair value of the Group's financial assets and liabilities were equal to their carrying amount.

Capital risk management
The Group 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 Group is exposed is liquidity risk. The Group monitors this risk and will take appropriate action to minimise any exposure.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Details of recoverability of trade and other receivables is provided in Note 15. The Group's maximum exposure to credit risk is the statement of financial position amount. For compliance with IFRS 9, 100% allowances have been made against any receivables over 120 days past due, based on historical experience that indicates that such balances are generally not recoverable.

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 Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows.

23. Financial instruments: information on financial risk (continued)

Fair value measurements

The Group did not have any financial instruments that are measured subsequent to initial recognition at fair value. An analysis of the fair value hierarchy has therefore not been presented.

24. Operating leases

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

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

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group. Under IFRS 16, lessees must present:

• Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;

• Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include the interest paid as part of financing activities); and

• Cash payments for the principal portion of the lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by £20,107 (2019: £20,072) and net cash used in financing activities increased by £20,734 (2019: £26,862).

24.1 The Group as lessee

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

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

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

• fixed lease payments less any lease incentives;

• the amount expected to be payable by the lessee under residual value guarantees; and

• payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

24. Operating leases (continued)

24.1 The Group as lessee (continued)

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

• the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

• the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is memeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

• a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

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

24.2 The Group as lessor

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

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

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

Maturity analysis

	2020	2019
	£	£
Year 1	74,830	-
Year 2	78,571	-
	153,401	-

24. Operating leases (continued)

24.2 The Group as lessor (continued)

Maturity analysis (continued)

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

24.3 The Group as lessee

The Group leases two properties; one in the UK and one in Greece.

	UK	Greece	Total
	£	£	£
Net carrying amount			
31 July 2019 *(restated)*	356,508	101,511	**458,019**
31 July 2020	234,334	83,768	**318,102**
Depreciation expense on right-of-use assets			
31 July 2019 *(restated)*	121,840	17,899	**139,739**
31 July 2020	122,174	17,743	**139,917**

Amounts recognised in profit and loss

	2020		2019	
	UK	Greece	UK	Greece
Depreciation expense on right-of-use assets	**122,174**	**17,743**	121,840	17,899
Interest expense on lease liabilities	**18,640**	**2,094**	24,427	2,435
	140,814	**19,837**	146,267	20,334

The total cash outflow for the leases amounts to £184,466 (2019: £184,638).

Lease liabilities

	2020		2019	
	UK	Greece	UK	Greece
Non-current	**123,257**	**69,067**	250,886	86,787
Current	**127,629**	**17,720**	121,917	17,372
	250,886	**86,787**	372,803	104,159

24. Operating leases (continued)

24.3 The Group as lessee (continued)

Maturity analysis

	2020 £	2019 £ *(restated)*
Not later than 1 year	**145,349**	139,289
Later than 1 year and not later than 5 years	**192,324**	337,673
	337,673	476,962

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

25. Related parties

Transactions with key management personnel:

	2020		*2019*	
	Consultancy fees	*Paid or accrued expenses*	*Consultancy fees*	*Paid or accrued expenses*
Executive				
Professor Sir Martin Evans[1]	-	-	-	402
Ajan Reginald[1]	-	**9,342**	-	10,001
David Preston *(resigned 15 January 2019)*[2]	-	-	32,750	-
Dr Sabena Sultan *(resigned 15 January 2019)*[2]	-	-	-	1,199
Dr Lee Chapman *(resigned 15 January 2019)*[2]	-	-	-	90
Duncan Ribbons *(resigned 15 January 2019)*[2]	-	-	-	644
Dr Leigh Brody *(resigned 4 September 2019)*[3]	-	-	-	869
Victor Dillard *(resigned 15 July 2019)*[3]	-	-	-	3,885
Celixir plc Non-executive directors				
Dr Darrin Disley	**25,000**	-	25,000	-
Chaim Hurvitz	-	-	25,000	-
Gary Pisano	-	-	-	-
Fiona Murray	-	-	-	-
Conor Kehoe *(resigned)*	-	-	-	80

[1] Directors of Celixir plc; [2] Directors of Cell Therapy Ltd; [3] Directors of Desktop Genetics Ltd

The table above excludes payments in relation to amounts paid as salaries and pensions. Consultancy fees are included in total remuneration set out in Note 7. In addition to the amounts shown above:

Mr Ajan Reginald received benefits of £5,836 (2019: £4,038) and the Group paid pension contributions on his behalf of £36,000 (2019: £36,000). As at 31 July 2020, a director's loan balance of £932 (2019: £8,735) was owed to Mr Ajan Reginald.

25. Related parties (continued)

As at 31 July 2020, the Company's directors and their immediate relatives controlled 72.6% of the voting shares of the Company (2019: 72.69%).

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

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

Accrued Non-Executive Director fees of £145,833 were waived at the year end.

The Group consists of a parent Company, Celixir plc, and a number of subsidiaries held directly and indirectly by Celixir plc. Note 29 lists the Company's interests in subsidiaries. Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation and not disclosed in this note.

26. Events after the statement of financial position date
On 7 September 2020, a number of employees of Celixir plc's Greek subsidiary, Cell Therapy Hellas, were given notice of redundancy. This headcount reduction follows a decision to suspend manufacturing activities for the foreseeable future, pending results from the clinical trials.

Company statement of financial position

As at 31 July 2020

	Notes	2020	2019
		£	£
Non-current assets			
Investments	30	**4,258,389**	4,108,458
Intercompany	31	**-**	-
		4,258,389	4,108,458
Current assets			
Cash at bank and in hand		**1,230,477**	1,230,768
		1,230,477	1,230,768
Total assets		**5,488,866**	5,339,226
Non-current liabilities			
Intercompany	31	**(132,427)**	-
Contingent consideration		**-**	-
Deferred taxation		**-**	-
Total liabilities		**(132,427)**	-
Net assets		**5,356,439**	5,339,226
Capital and reserves			
Called up share capital	19	**62,240**	62,161
Share premium	20	**3,567,174**	3,406,681
Merger reserve	20	**10,981,212**	10,981,212
Treasury shares	21	**(145,134)**	(145,134)
Share-based payment reserve	22	**1,250,936**	1,250,967
Accumulated losses		**(10,359,989)**	(10,216,661)
Total equity		**5,356,439**	5,339,226

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the year of £143,328 (2019: £4,069,155).

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

Ajan Reginald
Director and Chief Executive Officer

Celixir plc
Celixir House
Innovation Way
Stratford Upon Avon
CV37 7GZ
Company no: 10541091

Company statement of changes in equity
Year ended 31 July 2020

	Note	Called up share capital	Share premium	Merger reserve	Treasury shares	Share-based payment	Accumulated losses	Total equity
		£	£	£	£	£	£	£
Balance at 1 August 2018		61,189	2,200,471	10,760,550	(145,134)	1,084,504	(6,147,506)	7,814,074
Issue of shares (net of issue costs)	19/20	592	1,206,210	-	-	-	-	1,206,802
Acquisition consideration		380	-	220,662	-	-	-	221,042
Treasury shares		-	-	-	-	-	-	-
Share-based payment	22	-	-	-	-	166,463	-	166,463
Total comprehensive loss		-	-	-	-	-	(4,069,155)	(4,069,155)
Balance at 31 July 2019		62,161	3,406,681	10,981,212	(145,134)	1,250,967	(10,216,661)	5,339,226
Issue of shares (net of issue costs)	19/20	79	160,493	-	-	-	-	160,572
Share-based payment	22	-	-	-	-	(31)	-	(31)
Total comprehensive loss		-	-	-	-	-	(143,328)	(143,328)
Balance at 31 July 2020		**62,240**	**3,567,174**	**10,981,212**	**(145,134)**	**1,250,936**	**(10,359,989)**	**5,356,439**

Notes to the Company financial statements

27. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 July 2016 the Company decided to adopt FRS 101 early and has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) *Reduced Disclosure Framework* as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

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

The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In application of the Company's accounting policies above, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future payments if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Impairment of investments

Determining whether an investment in subsidiary is impaired requires an estimation of whether the carrying value is supported by the underlying value of the subsidiary. The value in the subsidiary requires the entity to estimate the future cash flows expected to arise.

During the year, no impairment charge has been recognised in the statement of comprehensive income in respect of the parent company's investment in Cell Therapy Limited (2019: impairment charge of £2,128,012). The judgement of the directors is that the investment balance is recoverable. As at 31 July 2020, the carrying amount of investments, subject to this judgement, was £4,258,389.

28. Loss for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the year of £143,328, which includes £10,620 share-based payment charge.

The auditor's remuneration for audit and other services is disclosed in Note 5 to the consolidated financial statements.

The Company has three employees, whose costs are met by Cell Therapy Limited.

29. Subsidiaries

All interests in the companies listed below are owned by Celixir plc. All interests are held in ordinary share capital.

Name of legal entity	Country of incorporation	Company number	Status	% held
Directly held entities				
Cell Therapy Limited[a]	UK	06970743	Active	100%
Celixir Innovations Limited[a]	UK	10141208	Intermediate holding co.	100%
Indirectly held entities				
Κυτταρική Θεραπεία Ελλάς Εταιρία Περιορισμένης Ευθύνης[b] (Cell Therapy Hellas)	Greece		Active	99%
Desktop Genetics Limited[a]	UK	08170120	Dormant	100%
siRNA Limited[a]	UK	10069155	Dormant*	100%
Cell Therapy Oncology Limited[a]	UK	10219539	Dormant*	100%
Cell Therapy Skincel Limited[a]	UK	10219524	Dormant*	100%
Cell Therapy Diabetes Limited[a]	UK	10219345	Dormant*	100%
Cell Therapy Tendoncel Limited[a]	UK	10219553	Dormant*	100%
Bioreactor Corporation Limited[a]	UK	09000908	Dormant*	100%
Myocardion Limited[a]	UK	07214755	Dormant*	100%

Registered addresses:
[a] Celixir House, Innovation Way, Stratford Upon Avon, CV37 7GZ, UK
[b] 6th KLM Thermis-Charilaou, 57001,DROSIA 1B, Greece;

* these entities have taken advantage of the audit exemption for qualifying subsidiaries, in accordance with sections 479A to 479C of the Companies Act 2006.

30. Investment in subsidiaries

	£
Carrying value at 1 August 2019	4,108,458
Additions in the year	149,931
At 31 July 2020	**4,258,389**

The investments in subsidiaries are all stated at cost less provision for impairment. Additions in the year relate to two share-based payment charges; one being a payment to a supplier, settled in shares, and the second being a share-based payment charge for Cell Therapy Limited employees, which has been credited to the capital contribution reserve.

31. Intercompany transactions

Intercompany balances in Celixir plc relate to funding the trading operations of Cell Therapy Limited, its principal trading subsidiary, and Celixir Innovations Limited, in relation to its 2018 acquisition of Desktop Genetics Limited.

Intercompany balances with these subsidiaries were fully impaired in 2019, however the balance payable to Cell Therapy Limited has subsequently been written back in 2020 as there is an expectation that this balance will now be repaid:

	2020	2019
	£	£
Intercompany receivables	-	2,163,450
Intercompany payables	**(132,427)**	(132,427)
Net intercompany (payables) / receivables	**(132,427)**	2,031,023
Expected credit losses	-	(2,031,023)
Net intercompany payable at end of year	**(132,427)**	-

32. Share capital and share premium

The movements on these items are disclosed in Notes 19 and 20 to the consolidated financial statements.

33. Ultimate controlling party

Celixir plc is the ultimate controlling party of the Celixir group.