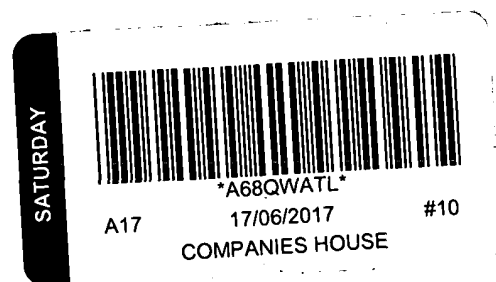

CALCICO THERAPEUTICS LIMITED

(COMPANIES HOUSE FILING VERSION)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



CALCICO THERAPEUTICS LIMITED

COMPANY INFORMATION

Directors	M Bhaman M S A Malik A Parekh A J Wood M F Fitzgerald (appointed 27 January 2017) R C E Solari (appointed 24 November 2016)
Registered number	07948431
Registered office	Oxford Science Park Magdalen Centre Robert Robinson Avenue Oxford OX4 4GA
Independent auditor	Rawlinson & Hunter Audit LLP Statutory Auditor & Chartered Accountants Eighth Floor 6 New Street Square New Fetter Lane London EC4A 3AQ

CALCICO THERAPEUTICS LIMITED

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Principal activity

The principal activity of the company is research and experimental development of biotechnology.

CALCICO THERAPEUTICS LIMITED
REGISTERED NUMBER: 07948431

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	6	24,253	41,769
		<u>24,253</u>	<u>41,769</u>
Current assets			
Debtors: amounts falling due within one year	7	470,456	274,036
Cash at bank and in hand	8	2,207,622	2,095,297
		<u>2,678,078</u>	<u>2,369,333</u>
Creditors: amounts falling due within one year	9	(342,480)	(157,117)
Net current assets		<u>2,335,598</u>	<u>2,212,216</u>
Total assets less current liabilities		<u>2,359,851</u>	<u>2,253,985</u>
Creditors: amounts falling due after more than one year	10	(1,823,741)	(1,256,226)
Net assets		<u>536,110</u>	<u>997,759</u>
Capital and reserves			
Called up share capital		6,301	3,845
Share premium account		4,591,559	3,214,144
Profit and loss account		(4,061,750)	(2,220,230)
		<u>536,110</u>	<u>997,759</u>

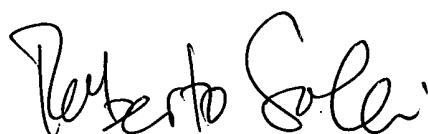
The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 May 2017.

R C E Solari
 Director



The notes on pages 3 to 13 form part of these financial statements.

CALCICO THERAPEUTICS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2016	3,845	3,214,144	(2,220,230)	997,759
Comprehensive income for the year				
Loss for the year	-	-	(1,841,520)	(1,841,520)
Total comprehensive income for the year	-	-	(1,841,520)	(1,841,520)
Shares issued during the year	2,456	1,377,415	-	1,379,871
Total transactions with owners	2,456	1,377,415	-	1,379,871
At 31 December 2016	6,301	4,591,559	(4,061,750)	536,110

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2015	826	717,214	(1,109,283)	(391,243)
Comprehensive income for the year				
Loss for the year	-	-	(1,110,947)	(1,110,947)
Total comprehensive income for the year	-	-	(1,110,947)	(1,110,947)
Shares issued during the year	3,019	2,496,930	-	2,499,949
Total transactions with owners	3,019	2,496,930	-	2,499,949
At 31 December 2015	3,845	3,214,144	(2,220,230)	997,759

The notes on pages 3 to 13 form part of these financial statements.

CALCICO THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

Calcico Therapeutics Limited is a private company limited by shares and is incorporated in England and Wales, registration number 7948431. The address of the registered office is Oxford Science Park, Magdalen Centre, Robert Robinson Avenue, Oxford, OX4 4GA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 Section 1A is given in Note 15.

The following principal accounting policies have been applied:

2.2 Going concern

At the Balance Sheet date, the company had net current assets of £2,335,598 after the funding rounds in 2015 and 2016. The company is still in the early stages of clinical development and further funding will be required in future to complete the objectives over the life of the project.

The company is undertaking a Series B financing round to raise funds to take the company through to Phase 2 clinical proof of concept. Should any more cash be needed before the Series B funding is secured, the company expects to receive a bridge loan from existing investors on terms to be agreed, to continue its activities.

On the basis set out above, the Directors consider the going concern basis to be appropriate. The financial statements therefore do not include any adjustments which would be necessary if the going concern basis was inappropriate.

2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

CALCICO THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.3 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 5 years straight line
Fixtures and fittings	- 5 years straight line
Office equipment	- 3-5 years straight line
Computer equipment	- 3 year straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.4 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.6 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

CALCICO THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Compound financial instruments issued by the company comprise preferred shares with fixed annual dividends.

The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

When a financial liability is extinguished, that is when the obligation is discharged, cancelled or expired, it is removed from the Balance Sheet. Any difference arising between the carrying amount of the financial liability extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Comprehensive Income.

CALCICO THERAPEUTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.8 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.9 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

CALCICO THERAPEUTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2.12 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.13 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

CALCICO THERAPEUTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.14 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Research and development expenditure is written off in the year in which it is incurred.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management has to make judgments on how to apply the company's accounting policies and make estimates about the future. The critical judgments that have been made at arriving at the amounts recognised in the financial statements and key areas of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year, are discussed below:

(a) Conversion period

The directors have assumed 4 years from July 2016 based upon an estimate of the likely period over which conversion conditions for the preferred shares could be met. A longer conversion would result in a higher dividend and interest value being presented as a liability. A shorter period would result in a lower dividend and liability value being presented as a liability in these financial statements.

(b) Applicable discount rate

The directors have assumed an applicable discount rate (interest rate) of 10% per annum at 31 December 2016 to discount the future cash flow relating to the future dividends and interest to the present value based upon current external loan finance terms available to the company. A higher discount rate would result in a lower discounted liability value being presented as a liability. A lower discount rate would result in a higher discounted liability value being presented as a liability in these financial statements.

4. Employee numbers

The average monthly number of employees, including directors, during the year was 6 (2015 - 5).

CALCICO THERAPEUTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

5. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	34,613	29,869
	34,613	29,869

In addition A Parekh, a director, received consultancy fees and related expenses reimbursed of £39,169 (2015 - £39,295) for his scientific contributions. Other key management received compensation of £80,000 (2015 - £33,333) for the year.

6. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2016	88,079	1,918	2,965	44,000	136,962
Additions	839	-	-	22,613	23,452
Disposals	(2,385)	-	-	(44,000)	(46,385)
At 31 December 2016	86,533	1,918	2,965	22,613	114,029
Depreciation					
At 1 January 2016	61,998	748	1,573	30,874	95,193
Charge for the period on owned assets	17,204	383	674	22,547	40,808
Disposals	(2,225)	-	-	(44,000)	(46,225)
At 31 December 2016	76,977	1,131	2,247	9,421	89,776
Net book value					
At 31 December 2016	9,556	787	718	13,192	24,253
At 31 December 2015	26,081	1,170	1,392	13,126	41,769

CALCICO THERAPEUTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

7. Debtors

	2016 £	2015 £
Other debtors	461,937	270,422
Prepayments and accrued income	8,519	3,614
	<u>470,456</u>	<u>274,036</u>

8. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	2,207,622	2,095,297
	<u>2,207,622</u>	<u>2,095,297</u>

9. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	133,778	116,522
Other taxation and social security	7,655	5,526
Accruals and deferred income	201,047	35,069
	<u>342,480</u>	<u>157,117</u>

10. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Share premium treated as debt	1,823,741	1,256,226
	<u>1,823,741</u>	<u>1,256,226</u>

CALCICO THERAPEUTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Financial instruments

	2016	2015
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	2,207,622	2,095,297
	<u>2,207,622</u>	<u>2,095,297</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

12. Share capital

	2016	2015
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
1,031,661 (2015 - 75,000) Ordinary shares of £0.001 each	1,032	76
4,517,580 (2015 - 3,017,580) A Preference shares of £0.001 each	4,518	3,018
750,000 Seed preference shares of £0.001 each	750	750
	<u>6,300</u>	<u>3,844</u>
Allotted, called up and partly paid		
1,000 Ordinary shares of £0.001 each	1	1
	<u>1</u>	<u>1</u>

Shares classified as debt

On 3 May 2016 the company allotted 956,661 ordinary shares of £0.001 each at par value. Each ordinary share shall, on a poll, carry one vote per share.

On 13 July 2016 the company allotted 1,500,000 A shares of £0.001 each for £1.20 per share. Each A share shall, on a poll, carry one vote per share, and is entitled to an annual 8% dividend accrued and paid in cash on share sale, liquidation event, listing or conversion.

CALCICO THERAPEUTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Share based payments

The company have issued share options to one employee and one contractor of the company.

Details of the share options issued by the company are set out below:

	Weighted average exercise price (pence) 2016	Number 2016	<i>Weighted average exercise price (pence) 2015</i>	<i>Number 2015</i>
Outstanding at the beginning of the year	0.05	30,000	0.05	30,000
Granted during the year	0.001	6,550		-
Forfeited during the year	0.05	(5,000)		-
Outstanding at the end of the year	0.04	31,550	<i>0.05</i>	<i>30,000</i>
			2016	<i>2015</i>
Weighted average share price			0.001	<i>0</i>
Weighted average exercise price			0.04	<i>0</i>
Weighted average contractual life			10 years	<i>10 years</i>

The fair value of the share options granted as at 31 December 2016 is negligible and not accounted for in these financial statements.

CALCICO THERAPEUTICS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Related party transactions

During the year ended 31 December 2016 the company accrued dividends on the issued A preference shares and seed preference shares detailed in Note 12 to the following shareholders of the company:

	2016 £	2015 £
Advent Life Sciences Fund I LP	74,975	59,571
Advent Life Sciences LLP	3,163	2,515
Touchstone Innovations PLC (formerly known as Imperial Innovations Business LLP)	67,271	31,038
	<u>145,409</u>	<u>93,124</u>

During the year the company was charged costs of £1,106 (2015 - £15,201) by a major shareholder.

During the year the company also paid amounts of £128,759 (2015 - £117,972) and £78,880 (2015 - £78,552) to consultants who are company shareholders. At the year end there were amounts owed of £8,131 (2015 - £7,690) and £7,902 (2015 - £6,812) respectively.

See Note 5 for directors' and key management's compensation for the year.

15. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

16. Auditor's information

The financial statements were audited by Rawlinson & Hunter Audit LLP ("the auditor"). The senior statutory auditor was David Davies.

The auditor's report, whilst not qualified, included an emphasis of matter paragraph in respect of going concern. The financial statements have been prepared on a going concern basis and the validity of this ultimately depends on the continued support of existing or new investors which is inherently subject to uncertainty, as detailed in Note 2.2.