Annual Report 2017

Directors, Officer and Advisers

DIRECTORS

MICHAEL BRETHERTON	CHAIRMAN
ROSS HOLLYMAN	NON-EXECUTIVE DIRECTOR
JONATHAN MORLEY-KIRK	NON-EXECUTIVE DIRECTOR

REGISTERED OFFICE
FLOOR 1 LIBERATION STATION
THE ESPLANADE
ST HELIER
JERSEY
JE2 3AS

COMPANY SECRETARY
JAMES SUTCLIFFE

INDEPENDENT AUDITOR
GRANT THORNTON LIMITED
KENSINGTON CHAMBERS
46/50 KENSINGTON PLACE
ST HELIER
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REGISTRAR AND TRANSFER AGENT
NEVILLE REGISTRARS
NEVILLE HOUSE
18 LAUREL LANE
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B63 3DA

Contents

Chairman's Statement

Sarossa Plc ('Sarossa' or 'the Company') delivered a positive investment return from its quoted investment holdings during the financial year ended 30 June 2017, and generated a profit after tax for the year of £2.87 million compared to a loss of £6.33 million in the previous year.

The profit for the year includes realised investment gains of £1.42 million, coupled with unrealised investment revaluation gains of £1.66 million (2016: unrealised losses of £6.14 million and realised gains of £0.11 million) on the carrying values of Sarossa's investment holdings.

The realised investment gains of £1.42 million arose on the disposal of the Company's entire holding in GVC Holdings in the year, for which cash proceeds of £6.03 million were received.

During the year, the Company spent £3.98 million on the purchase of shares in 2 new portfolio investments and 1 new follow on investment. The Company holds currently 5 portfolio investments, all of which are quoted, and for which the carrying value at 30 June 2017 was £9.10 million (30 June 2016: £8.06 million represented by 4 quoted holdings).

Net assets attributable to holders of Sarossa at 30 June 2017 were £13.73 million (equivalent to 2.97p per share) compared with £10.86 million (equivalent to 2.35p per share) at the previous year end. The increase in net assets per share reflects the profit generated for the year.

Corporate Events

On 10 May 2017, Richard Griffiths and his controlled undertaking Blake Holdings Limited ("Blake") announced that Blake had increased its shareholding in Sarossa by acquiring a total of 51,950,000 ordinary shares in Sarossa ("Sarossa Shares") at a price of 1 pence per share and on 11 May 2017, Blake announced that it had acquired a further 13,250,000 Sarossa Shares also at a price of 1 pence per share.

Following those share acquisitions and as is required by Rule 9 of the City Code, Blake subsequently issued a circular to Sarossa shareholders on 5 June 2017 containing an unconditional mandatory offer to acquire all or any Sarossa Shares at a cash price of 1 pence per share (the "Offer"). On 19 June 2017, the independent directors of Sarossa issued a response document to that Offer which included reasons to decline or accept the Offer.

The Offer closed on 26 June 2017 at which time Blake had received acceptances in respect of 29,995,712 Sarossa Shares and which increased Blake's shareholding in Sarossa to 272,394,961 shares representing 58.96 per cent. of the Sarossa Shares in issue.

As a result, Sarossa is now also a controlled undertaking of Richard Griffiths who will, if he so wishes, be able to further increase his interests in Sarossa Shares without making another mandatory offer to the remaining shareholders. Richard Griffiths has indicated to the Directors of Sarossa that he is considering measures to strengthen the Board and the management of the Company and in the meantime will liaise with the Board on a more regular basis with regard to investment proposals and strategic alternatives with a view to enhancing value creating opportunities for Sarossa' s shareholders.

Investment portfolio update

Sarossa is an investment holding and management company whose principal activity is the investment in businesses which present opportunities for value creation. The Company is focused mainly on portfolio investment businesses with product and service platforms targeting major international markets through customers and partners with an international profile.

An overview of the activities of the portfolio investment businesses in which Sarossa has a holding of over 3 per cent. or where the value of the investment comprises at least 10 per cent. of Sarossa's net asset value is given below:

Silence Therapeutics Plc ('Silence'), which is AIM listed, is a global leader in the discovery, development and delivery of novel RNAi therapeutics for the treatment of serious diseases. The core technology of Silence is its proprietary form of a short interfering RNA molecule, known as AtuRNAi, which enables the development of novel molecular entities that "silence" or inactivate the genes expressed in some diseases. In addition, the ability to switch genes off using its modified siRNA and delivery systems, the company has added the ability to switch genes on by using the same delivery systems with a messenger RNA. Atu027 is the company's leading pancreatic cancer oncology product which is in Phase 2 of clinical development. The company has also licensed out its AtuRNAi technology to Quark Pharmaceuticals which is using this in developing acute kidney injury products under license with Novatis and which is in Phase 2 of clinical development. In addition, in January 2017, Silence acquired a 9.2 per cent. holding in NASDAQ quoted Arrowhead Pharmaceuticals, which has a broad portfolio of RNA chemistries, for $11.3 million in cash. This equity position will facilitate future discussions with Arrowhead regarding possible product licensing, technology and R&D sharing or a potential corporate transaction. Silence has a strong balance sheet and had cash and deposits at 31 December 2016 of £39.0 million per the Arrowhead purchase. Sarossa's shareholding at 30 June 2017 was, and continues to be, 3.13 per cent. of the issued share capital of Silence.

Plant Health Care Plc ('PHC') which is AIM listed, is a leading provider of novel patent protected biological products to the global agriculture markets. The company has a portfolio of established products based on its proprietary Harpin and Myconate® technologies. PHC's products increase crop yields by enhancing natural processes within the plant. PHC is also focused on the discovery and development of new patent-protected products and the company has 3 new peptide platform technologies that selectively activate the innate growth and defence mechanisms of crop plants, comprising; Innatus 3G, T-Rex 3G and Y-Max 3G and has signed agreements with seven agrochemical companies to evaluate these peptide product platforms. The control of plant diseases is a huge global market, with fungicide usage alone constituting around US $15 billion per annum. The company expects to achieve first licensing of its peptide technology by the end of 2017, with competitive licensing of Innatus 3G to start in early 2018. Overall PHC revenues were US $6.3 million for the year to 31 December 2016 and cash balances at that date amounted to US $10.1 million inclusive of £7.6 million (US $10.0 million) raised in August 2016 through a placing of shares. Sarossa invested £0.41 million in that placing in order to maintain its shareholding in PHC, which at 30 June 2017 was 5.34 per cent. Further share purchases in August 2017 have increased that holding to 6.52 per cent. as at the date of this report.

Avesoro Resources Inc. ("Avesoro") is an AIM listed company engaged in the exploration and development of gold deposits in highly prospective and under-explored areas of Liberia and Cameroon. The company's principal assets comprise the New Liberty Gold Mine in Liberia which underwent a significant reorganisation and refinancing during 2016 and now has a supportive majority shareholder with operational in-country experience. Avesoro also completed a successful transition to owner-operator mining in December 2016. The company's quarterly financial update to 31 March 2017 showed cash balances of US $6.7 million, gold revenues of US $19.7 million and total assets of US $221 million. Sarossa's shareholding in Avesoro at 30 June 2017 was, and continues to be 1.03 per cent.

Cambian Group Plc ("Cambian") is an AIM listed company providing specialist behavioural health services for children in the UK. The company disposed of its adult division in December 2016 for a cash consideration of £377 million, allowing the company to repay its indebtedness in full and focus fully on child care services, an area where it sees much potential for growth. The company's annual report to 31 December 2016 showed revenues on continuing operations in the year to 31 December 2016 amounted to £182.1 million and generated an overall profit £124.7 million. Cambian had net assets of £371.3 million at that date which included cash balances of £116.6 million. Cambian intends to resume its dividend policy in the second half of 2017 and in addition the Company made a one off special distribution of £50 million on 15 September 2017. Sarossa's shareholding in Cambian at 30 June 2017 was 1.09 per cent. Further share purchases in July 2017 have increased that holding to 1.47 per cent. as at the date of this report.

In addition to the above, Sarossa has 1 AIM listed holding of below 3 per cent. in a profitable company operating as a commercial outsourcing services provider.

Chairman's Statement (continued)

Outlook

Looking ahead, whilst there remain many threats to a sustained global growth recovery including the impact of Brexit and the surprise US election result, near term growth risks do appear to be relatively more balanced. Your Board is confident in the underlying fundamentals, technologies and potential for growth at the companies within our investment portfolio. We will continue to maintain a rigorous and highly selective investment approach and are committed to delivering additional value for shareholders going forward.

Michael Bretherton
Chairman

10 October 2017

Strategic Report

The Directors present their Strategic Report with the Financial Statements for Sarossa Plc ('Sarossa' or 'the Company') for the year ended 30 June 2017.

Principal activity and business model
Sarossa is an investment holding and management company whose principal activity is the investment in and growth and development of businesses which present opportunities for value creation.

The Company has an investing strategy to identify investment opportunities offering the potential to deliver a favourable return to shareholders over the medium term, primarily in the form of capital gain. A particular consideration is to identify businesses which, in the opinion of the Board, are under-performing and present opportunities for value creation.

Sarossa is mainly focused on portfolio businesses with product and service platforms targeting major international markets through customers and partners with an international profile. The Company's equity interest in a potential investment may range from a minority position to 100 per cent. ownership and the interest may be either quoted or unquoted.

Business review
A review of the Company's performance and future prospects is included in the Chairman's Statement on pages 2 to 4.

Share capital and funding
Full details of the Company's share capital movements are given in Note 13 of the financial statements. The Company has an authorised share capital of 1,000,000,000 ordinary shares of 1p each, of which 462,008,478 were in issue at both 30 June 2016 and the current 30 June 2017 financial year end.

Financial review
The Financial Statements have been prepared for the year to 30 June 2017.

Key performance indicators
Key performance indicators are set out below:

	30 June 2017	30 June 2016
Net assets (£ million)	13.73	10.86
Net asset value per share (pence)	2.97	2.35
Profit/(loss) after tax (£ million)	2.87	(6.33)
Operating profit/(loss) (£ million)	2.85	(6.35)
Cash and short-term deposits with banks (£ million)	4.65	2.88

Profit and loss
The profit after tax for the year ended 30 June 2017 was £2.87 million compared to a loss of £6.33 million in the previous year. The increase in profitability in the current year is due principally to realised gains on the disposal of portfolio investments.

The Company continued to run a low cost base with administrative costs of £0.34 million which compared favourably with those for the previous year (2016: £0.44 million).

Interest from deposits for the year amounted to £0.02 million versus £0.02 million in the previous year.

Strategic Report (continued)

Balance Sheet
Net assets at 30 June 2017 amounted to £13.73 million compared with £10.86 million at 30 June 2016.

The carrying value of portfolio investments at 30 June 2017 was £9.10 million represented by 5 AIM quoted investment holdings (30 June 2016: £8.06 million represented by 4 quoted holdings).

Cash and short-term deposit balances were £4.65 million at 30 June 2017 compared to cash and short-term deposit balances of £2.88 million at 30 June 2016.

Cash flow
The Company's overall cash and short-term deposits position increased by £1.77 million during the year. This increase mainly reflects £6.03 million generated from the disposal of investments, partially offset by £3.98 million spent on the purchase of additional shares in portfolio investments, together with other cash outflows of £0.28 million in respect of overheads, interest and working capital movements.

Directors and employees
The Company has 2 employees, both of whom are male and 1 of whom is the chairman. The Company also has 2 non-executive Directors. The profile of the Directors and their remuneration is detailed in the Directors' Report on page 9.

Risk review
Risk management
The Company's risk management objectives and exposure to various risks are detailed in Note 12.

The main risks arising from the Company's operations are market risk, credit risk and liquidity risk. The Directors review and agree policies for managing risk at least annually.

Market risk
Price risk
The Company is exposed to market price risk in respect of its portfolio investments. The Company mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

Interest rate risk
The Company has no external financing facility, therefore its interest rate risk is limited to the level of interest received on its cash surpluses. Interest rate risk on cash, cash equivalents and short term deposits is mitigated partially by using an element of fixed-rate accounts and short-term deposits.

Credit risk
The Company's principal financial assets are its portfolio investments, its bank balances and cash held on deposit with institutions. The Company seeks to reduce the credit risk associated with cash by only holding cash with institutions that have good credit ratings. The credit risk associated with portfolio and trading investments is considered to be minimal.

Liquidity risk

The Company seeks to manage liquidity by ensuring sufficient funds are available to meet foreseeable needs and to invest cash assets safely and profitably. The Company had cash, cash equivalents and short-term deposit balances of £4.65 million as at 30 June 2017 (2016: £2.88 million).

In order to minimise risk to the Company's capital, funds are invested across a number of financial institutions with strong credit ratings. Cash forecasts are updated regularly to ensure that there is sufficient cash available for foreseeable requirements. The Directors are satisfied that the current cash balances and the low running cost base of the Company ensures that the going concern assumption remains valid.

External risks

The recent polarisation of politics at a national level across many major economies has raised the prospect of materially different economic models potentially being implemented in the near to medium term. The uncertainty regarding the future adoption of such divergent economic models, and their potential implication on the interconnected global economy, continues to impact the markets in which the Company operates, both in terms of investment valuations and the risk for the operations and growth of investment portfolio companies. The key factors include the risk of below trend economic growth, the impact of government deficit reduction programmes, and rising levels of governmental and personal debts and perceived economic inequality.

Future developments

The Board remains committed to delivering additional value for our shareholders and will continue to maintain a rigorous and highly selective investment approach with a view to exploiting opportunities as they emerge.

Approved on behalf of the Board

Jonathan Morley-Kirk

10 October 2017

Directors' Report

The Directors present their report and the audited financial statements for Sarossa Plc ('Sarossa' or 'the Company') for the year ended 30 June 2017.

Reorganisation into a Jersey, Channel Islands, based Group and subsequent delisting from AIM

Sarossa Plc was incorporated in Jersey on 7 March 2014 specifically to implement a reorganisation under which the former Sarossa Capital Limited parent company became a wholly owned subsidiary of the new Jersey holding company. The reorganisation was completed on 2 May 2014 at which time Sarossa Plc was admitted to the AIM market of the London Stock Exchange. Sarossa Plc delisted from the AIM market on 1 February 2016.

All remaining subsidiary companies were voluntarily wound down and struck off during the prior financial year leaving only the Sarossa Plc parent company in existence at 30 June 2016. The financial statements presented for the current year to 30 June 2017 are therefore individual non-consolidated accounts for the parent company together with parent company only comparatives for the prior year.

Principal activity

Sarossa is an investment holding and management company whose principal activity is the investment in and growth and development of businesses which present opportunities for value creation. Further information on the principal activities is given in the Strategic Report on page 5.

Business review

A review of the Company's performance and future prospects is given in the Chairman's Statement on pages 2 to 4 and in the Strategic Report on pages 5 to 7.

Results and dividends

The income and total comprehensive income for the year ended 30 June 2017 was £2,870,000 (2016: loss and total comprehensive loss of £6,329,000).

No interim dividend (2016: £nil) was declared during the year and the Directors do not recommend payment of a final dividend in respect of the year ended 30 June 2017 (2016: £nil).

Share Capital

Full details of the Company's share capital movements are given in Note 13 of the financial statements.

Directors

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

Executive Director	Non-Executive Directors
Michael Bretherton	Ross Hollyman Jonathan Morley-Kirk

Directors' indemnity insurance

As permitted by the Articles of Association, the Company purchased and maintained directors' and officers' liability insurance, in respect of itself and its Directors, throughout the financial year.

Directors' remuneration

	Salary and fees £'000	Benefits £'000	2017 Total £'000	2016 Total £'000
Michael Bretherton	125	6	131	130
Ross Hollyman	15	–	15	15
Jonathan Morley-Kirk	15	–	15	15
	155	6	161	160

It is the Company's policy that executive Directors should have contracts with an indefinite term providing for a maximum of six months' notice. In the event of early termination, the Directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

The non-executive Directors, Ross Hollyman and Jonathan Morley-Kirk, are engaged on letters of appointment which may be terminated on not less than six months' notice.

Directors' interests
The interests of Directors in the shares of the Company as at 30 June 2017 are given below:

	Ordinary shares of 1p each	
	30 June 2017	30 June 2016
Michael Bretherton	9,744,140	9,744,140
Ross Hollyman	–	–
Jonathan Morley-Kirk	–	–

Profile of the Directors
Michael Bretherton, BA, ACA, Chairman
Michael was appointed as a non-executive Director in March 2011 and subsequently took on the role of Finance Director in January 2012, before being appointed Chairman in October 2012. He is a non-executive director of a number of other AIM listed companies and is also a director of Ora Limited, which provides investment capital for early stage technology companies. In addition, Michael has been a director of six other AIM quoted companies during the last five years, including Nanoco Group Plc, Ceres Power Holdings Plc, Tissue Regenix Group Plc and Oxford Pharmascience Group Plc. He has a degree in Economics from Leeds University and is a member of the Institute of Chartered Accountants in England and Wales. His early career included working as an accountant and manager with PriceWaterhouse for seven years in London and the Middle East, followed by finance roles at the Plessey Company Plc, Bridgend Group Plc, Mapeley Limited and Lionhead Studios Limited.

Ross Hollyman, Non-Executive Director
Ross was appointed as a non-executive Director on 7 December 2011. He has been employed in the investment industry in the UK for over 20 years. He has previously been an investment director at GAM Limited and JP Morgan Fleming Asset Management, and Head of Global Equities at Liontrust Asset Management plc. Ross is currently a director of Orchard Wealth Management Limited and is the investment manager of the Sabre Global Opportunities Fund, an equity Long/Short hedge fund.

Jonathan Morley-Kirk, Non-Executive Director
Jonathan was appointed as a non-executive Director on 25 October 2012. He is a Fellow of the Chartered Securities and Investment Institute and was a Fellow of the Institute of Chartered Accountants in England and Wales. He has extensive experience of capital markets and structuring investments and has served as a director on a range of public and private companies, including as Chairman of Fox-Davies Capital from 2003 to 2008 and, previously, he also served as a director of S G Warburg Securities and Samuel Montagu & Co. He is currently a non-executive director of EastSiberian PLC (formerly PetroKamchatka), which is listed on the Toronto Stock Exchange, and Bluebird Merchant Ventures, a company listed on the standard section of the London Stock Exchange.

Directors' Report (continued)

Substantial shareholdings

As referred to in the Chairman's Statement, following Blake Holdings Limited's mandatory cash bid to Company shareholders (see page 2), Richard Griffiths now indirectly and individually exercises control over the Company. Richard Griffiths' holding in the Company, along with those who had an interest in 3 per cent. or more of the issued ordinary share capital of the Company as at 9 October 2017, as far as the Directors are aware, is as follows:

Shareholder	Number of ordinary shares	% Holding
Mr Richard Griffiths and controlled undertakings	272,394,961	58.96
Mr D H Richardson	42,389,462	9.18

Corporate governance

The Company is not required to and does not comply with the UK Corporate Governance Code. However the Directors recognise the importance of sound corporate governance and observe the principles of the UK Corporate Governance Code 2014, to the extent that they consider them appropriate for the Company's size and nature.

The Board

The Board comprises currently one executive Director and two non-executive Directors.

Audit committee

The Audit Committee's primary responsibilities are to monitor the integrity of the financial affairs and statements of the Company, to ensure that the financial performance of the Company and any subsidiary of the Company is properly measured and reported on, to review reports from the Company's auditors relating to the accounting and internal controls and to make recommendations relating to the appointment of the external auditors.

The Audit Committee comprises Jonathan Morley-Kirk, who acts as chairman, and Ross Hollyman.

Remuneration committee

The Remuneration Committee's primary responsibilities are to review the performance of the executive directors of the Company and to determine the broad policy and framework for their remuneration and the terms and conditions of their service and that of senior management (including the remuneration of and grant of options to such persons under any share scheme adopted by the Company). The remuneration committee comprises Ross Hollyman, who acts as chairman, and Jonathan Morley-Kirk.

The remuneration of non-executive Directors shall be a matter for the executive Director of the Company.

Internal Control

The Board is responsible for maintaining a sound system of internal control. The Board's measures are designed to manage, but not eliminate, risk and such a system provides reasonable but not absolute assurance against material misstatement or loss.

Some key features of the internal control system are:

(i) Management accounts information, budgets, forecasts and business risk issues are regularly reviewed by the Board which meets at least four times per year;

(ii) The Company has operational, accounting and employment policies in place;

(iii) The Board actively evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks; and

(iv) There is a clearly defined organisational structure and well-established financial reporting and control systems.

Going Concern

At 30 June 2017, the Company had £4.65 million (2016: £2.88 million) of cash, cash equivalents and short-term deposits available to it. The Directors have considered their obligations in relation to the assessment of the going concern of the Company and have reviewed the current budget cash forecasts and assumptions as well as the main risk factors facing the Company.

After due enquiry, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Risk management

The Company's risk management objectives and exposure are detailed in the Strategic Report on pages 5 to 7 and in Note 12 to the financial statements.

Employment policy

When applicable, the Directors are committed to continuing involvement and communication with employees on matters affecting both the employees and the Company.

The Company supports the employment of disabled people wherever possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

Creditor payment policy

The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Company does not have a standard policy that deals specifically with the payment of suppliers.

At the end of the year outstanding invoices for the Company represented 29 days purchases (2016: 17 days).

Annual General Meeting

The next Annual General Meeting will take place on 16 November 2017 at 11.00 am at the Company's registered office at Floor 1 Liberation Station, The Esplanade, St Helier, Jersey JE2 3AS.

Voting rights

On a show of hands at a general meeting of the Company every holder of shares present in person and entitled to vote, and every proxy duly appointed by a member entitled to vote, has one vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every share held. Further details regarding voting at the Annual General Meeting can be found in the Notice of Annual General Meeting at the back of this document. None of the shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's transfer agent not later than 48 hours (not counting non-working days) before the meeting.

Statement of Directors' Responsibilities

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

The Directors are required by the Companies (Jersey) Law 1991 to prepare Company financial statements for each financial period in accordance with generally accepted accounting principles. The Directors have elected under Jersey Company law, to prepare Company financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU").

The Company financial statements are required by law to give a true and fair view, and are required by IFRS adopted by the EU to present fairly, the financial position and performance of the Company.

Directors' Report (continued)

In preparing the financial statements, the Directors should:

(i) select suitable accounting policies and then apply them consistently;

(ii) make judgements and estimates that are reasonable and prudent;

(iii) state whether they have been prepared in accordance with IFRSs adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and

(iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain the Company's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements are properly prepared and in accordance with the Companies (Jersey) Law 1991. 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.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

So far as the Directors are aware, there is no relevant information of which the Company's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors
A resolution to reappoint the auditors, Grant Thornton Limited, will be proposed at the Annual General Meeting.

Disclosure of information to auditors
So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by order of the Board

Jonathan Morley-Kirk

10 October 2017

Independent Auditors' Report to the Members of Sarossa Plc

Opinion

We have audited the financial statements of Sarossa plc (the 'Company') for the year ended 30 June 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, including 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.

Who we are reporting to

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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 Company's ability to continue to 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Chairman's Report and Strategic Report set out on pages 2 to 7, 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 this regard.

Independent Auditors' Report to the Members of Sarossa Plc (continued)

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Company financial statements are not in agreement with the accounting records; or
- we have not received proper returns adequate for our audit from branches not visited by us; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on pages 11 and 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 Financial Reporting Council's website at: https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor's-responsibilities-for. This description forms part of our auditor's report.

Adam Budworth

For and on behalf of
Grant Thornton Limited
Chartered Accountants
St Helier, Jersey, Channel Islands

10 October 2017

Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	2017 £'000	2016 £'000
Gain/(loss) on portfolio investments	2	3,085	(6,021)
Dividend and other income	2	109	106
Gross investment return		3,194	(5,915)
Administrative expenses		(342)	(436)
Operating profit/(loss)	6	2,852	(6,351)
Finance income	5	18	22
Profit/(loss) before taxation		2,870	(6,329)
Taxation	7	–	–
Profit/(loss) for the year and total comprehensive income/(loss)		2,870	(6,329)
Earnings/(loss) per ordinary share			
Basic and diluted	8	0.62p	(1.25p)

There are no other comprehensive income items.

Statement of Changes in Equity
as at 30 June 2017

	Notes	Share Capital £'000	Capital Redemption Reserve £'000	Other Reserve £'000	Retained Earnings Reserve £'000	Total £'000
At July 2015		5,463	931	5,565	1,996	13,955
Total comprehensive loss for the year		–	–	–	(1,976)	(1,976)
Reversal and transfer of other reserve	14	–	–	(5,565)	5,565	–
Purchase of shares for cancellation	13	(843)	843	–	(1,117)	(1,117)
At 30 June 2016		4,620	1,774	–	4,468	10,862
Total comprehensive gain for the year		–	–	–	2,870	2,870
At 30 June 2017		4,620	1,774	–	7,338	13,732

Statement of Financial Position
at 30 June 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Portfolio Investments	9	9,103	8,064
		9,103	8,064
Current assets			
Other receivables	10	24	24
Cash and cash equivalents	12	4,649	2,878
		4,673	2,902
Total assets		13,776	10,966
Liabilities			
Current liabilities			
Trade and other payables	11	(44)	(104)
Total liabilities		(44)	(104)
Net current assets		4,629	2,798
Net assets		13,732	10,862
Shareholders' equity			
Share capital	13	4,620	4,620
Capital redemption reserve	14	1,774	1,774
Retained earnings reserve	15	7,338	4,468
Total shareholders' equity		13,732	10,862

The financial statements on pages 15 to 31 were approved by the Board of Directors and authorised for issue on 10 October 2017 and signed on its behalf by:

Michael Bretherton
Chairman

Company number – 115158

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit/(loss) before tax		2,870	(6,329)
Adjustments for:			
Finance income	5	(18)	(22)
Realised gain on sale of portfolio investments		(1,421)	(113)
Unrealised (gain)/loss on revaluation of portfolio investments	9	(1,664)	6,143
Operating cash outflows before movement in working capital		(233)	(330)
Purchase of portfolio investments	9	(3,979)	(2,510)
Proceeds from sales of investments		6,025	1,261
Decrease in trade and other receivables		–	5
(Decrease)/increase in trade and other payables		(60)	32
Cash generated/(used) in operations		1,753	(1,542)
Interest received	5	18	22
Net cash generated/(used) in operating activities		1,771	(1,520)
Cash flows from financing activities			
Purchase of own shares for cancellation	14	–	(1,117)
Net cash used from financing activities		–	(1,117)
Net increase/(decrease) in cash and cash equivalents		1,771	(2,637)
Cash, cash equivalents at beginning of year		2,878	5,515
Cash and cash equivalents at end of year		4,649	2,878
Cash, cash equivalents and short-term deposits at end of year	12	4,649	2,878

Notes to the Financial Statements

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Sarossa Plc was incorporated in Jersey on 7 March 2014. The Company was specifically created to implement a re-organisation in relation to Sarossa Capital Limited (formerly Sarossa Capital Plc). Under the re-organisation, Sarossa Capital Limited became a wholly owned subsidiary of Sarossa Plc on 2 May 2014 at which time Sarossa Plc was also admitted to the AIM market of the London Stock Exchange.

The Company subsequently delisted from the AIM market on 1 February 2016. The registered office of Sarossa Plc is Floor 1 Liberation Station, The Esplanade, St Helier, Jersey JE2 3AS.

Basis of preparation

The financial statements have been prepared by Sarossa Plc in accordance with International Financial Reporting Standards ('IFRS'), as adopted for use by the EU, and International Financial Reporting Interpretation Committee interpretations ('IFRIC') and with those parts of the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention except for investment portfolio assets and certain financial instruments which are included at fair value.

The financial statements are prepared on the going concern basis.

Adoption of new accounting standards

Accounting developments

There are no standards, amendments and interpretations to existing standards that are not yet effective and which have been early adopted by the Company.

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The Notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimate and assumption that has the most significant effect on the carrying amounts of assets and liabilities in the financial statements is the valuation of quoted investments. These are valued at closing bid market price and in accordance with IFRS, no discount is applied for liquidity of the stock or any dealing restrictions. However, it may not always be possible to trade at the quoted bid market price. Quoted portfolio investments are carried in the financial statements as at 30 June 2017 at a valuation of £9.10 million (2016: £8.06 million). For further detail see Note 9.

1. Principal accounting policies (continued)

Basis of consolidation

During the prior year to 30 June 2016 all subsidiary entities were voluntarily wound down and struck off in a process which had no financial impact on the prior year consolidated statement of financial position or results for the former Group for the year to 30 June 2016.

These financial statements presented for the year to 30 June 2017 are the individual company accounts for Sarossa Plc.

Subsidiary undertakings are entities over which the Group has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date which control begins and are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries

All of the Company's remaining subsidiaries were voluntarily wound down and struck off in the prior year to 30 June 2016.

Subsidiary entities are entities over which the Group has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date which control begins and are deconsolidated from the date that control ceases.

All intra-group transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements (continued)

1. Principal accounting policies (continued)

Investment portfolio assets

Investment assets that are held by the Company with a long-term view to the ultimate realisation of capital gains are classified as investment portfolio assets and are stated at the Directors' estimate of their fair value determined in accordance with International Private Equity and Venture Capital Valuation Guidelines ("IPEVCVG") on the basis set out below. Investment assets are designated at fair value through profit or loss on initial recognition and any gains or losses arising from subsequent changes in fair value are presented in profit or loss as they arise. A fair value method of valuation for portfolio investments is considered the most appropriate for assessing their performance.

(i) Quoted investments for which an active market exists are valued at closing bid-market price at the reporting date.

(ii) Unquoted investments are measured at fair value by the Directors as follows:

- Investments in companies that are still in a development phase continue to be valued based on cost unless there have been more recent benchmark subscriptions and investments which give a guide to fair value ("Price of Recent Investment") or where there are factors that indicate a change in fair value has occurred.

- Once the business becomes established, investments are valued based on an estimate of the fair value for the investee company derived using methodologies which include applying an average sector earnings multiple to operating profits, valuation by reference to net asset base and discounted cash flows.

Cash, cash equivalents and short-term deposits

Cash and cash equivalents comprise cash in hand and deposits with banks that have a maturity of three months or less from the date of inception.

Deposits that have a maturity greater than three months but less than a year from the date of inception have been disclosed separately as short-term deposits.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

1. Principal accounting policies (continued)

Derivative trading assets
Purchases and sales of derivative financial instruments are recognised at the trade date which is the date that the Company became a party to the contractual provisions of the instrument. The Company only trades in derivative financial instruments that are quoted in active markets and the related financial assets and liabilities are stated at fair value based on the quoted market prices of those instruments. Changes in the fair value of the derivative financial instruments are recognised in profit or loss as they arise.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost.

Segmental reporting
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material. Provisions are not recognised for future operating losses.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current income tax is calculated on the basis of the tax rates and laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns in regard to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements in accordance with IAS 12 – 'Income Taxes'. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable nor the accounting profit or loss. Deferred tax assets and liabilities are calculated using tax rates and laws that have been substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements (continued)

1. Principal accounting policies (continued)

Income
Income is measured at the fair value of the consideration received or receivable in the normal course of business, net of discounts and other sales related taxes. The Company recognises income when the amount of income can be reliably measured and when it is probable that the future economic benefits will flow into the Company.

(i) Gross investment return
Gross investment return represents the sum of realised gains and losses on the disposal of investment portfolio assets and derivative financial instruments and the unrealised gains and losses on the revaluation of these, together with and any related investment income received and receivable.

Realised gains and losses on the disposal of investments is the difference between the fair value of the consideration received less any directly attributable costs on the sale and the fair value of the investments at the start of the accounting period or acquisition date if later.

Unrealised gains and losses on the revaluation of investments is the movement in carrying value of investments between the start of the accounting period or acquisition date if later and the end of the accounting period.

Dividends from investments are recognised when the Company's right to receive payment has been established.

(ii) Interest income
Interest income is recognised as interest accrues using the effective interest rate method.

(iii) Other income
All other income is recognised as other income in the period to which it relates.

Exceptional items
Exceptional items are material items which derive from transactions or events and are disclosed separately when such presentation is relevant to the Company's financial position and performance.

Expenditure
Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Foreign currency
The functional currency of the Company is the currency of the primary economic environment in which the entity operates. Transactions denominated in foreign currencies have been translated into the functional currency of the Company at the transaction date rate of exchange. Monetary assets and liabilities denominated in foreign currencies have been translated at rates ruling at the statement of financial position date. Exchange differences have been taken to operating results in the income statement.

The results of any foreign operations are translated into the Company's presentational currency at month end exchange rates and their statement of financial positions are translated at the rates ruling at the statement of financial position date. Exchange differences arising on translation of the opening net assets and results of overseas operations are dealt with through reserves.

The presentational currency of the Company is Sterling.

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

2. Segmental reporting

Sarossa's operating segments are reported based on the financial information provided to the Board, which is used to make strategic decisions. The Directors are of the opinion that under IFRS 8 – 'Operating segments' the Company has only one reportable segment, being Gross Investment return.

The Board assesses the performance of the operating segment based on financial information which is measured and presented in a manner consistent with that in the financial statements.

The principal sources of revenue for the Company in the two years ended 30 June 2017 were:

	2017 £'000	2016 £'000
Unrealised gain/(loss) on revaluation of portfolio investments	1,664	(6,134)
Gain on disposal of portfolio investments	1,421	113
Gain/(loss) on portfolio investments	3,085	(6,021)
Dividend and other income	109	106
Gross investment return	3,194	(5,915)

Geographic Information

Portfolio return and revenue from external customers were:

	2017 £'000	2016 £'000
Jersey (country of domicile)	3,194	(5,915)

The location is based upon either the location of the customer or the country in which the gain or loss on investments is recognised.

3. Directors' emoluments

Directors' emoluments receivable by Directors of Sarossa Plc from the Company are as follows:

	2017 £'000	2016 £'000
Aggregate emoluments		
Gross emoluments and benefits	161	160
Highest-paid Director		
Emoluments and benefits	131	130

Notes to the Financial Statements (continued)

4. Employee information

The monthly average number of persons (excluding non-executive directors who are engaged on service agreements), employed by the Company during the year was:

	2017	2016
By activity		
Administration	2	2

The cost relating to the above employees and all Directors including non-executive Directors is as follows:

	2017 £'000	2016 £'000
Staff costs		
Wages and salaries	225	220
Social security costs	8	8
Employee benefits	7	6
	240	234

5. Finance income

	2017 £'000	2016 £'000
On cash and cash equivalents	18	22
Total interest income	18	22

6. Operating profit

The following items have been charged in arriving at the operating profit:

	2017 £'000	2016 £'000
Net foreign exchange gain differences	–	–
Auditors' remuneration (see below)	16	17
Auditors' remuneration		
Fees payable to Company auditor for the audit of the Company financial statements	16	16
Fees payable to the Company's auditor and associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	–	–
Transaction advice	–	1
	16	17

7. Taxation

Tax charges and credits in the Income Statement

	2017 £'000	2016 £'000
Current tax on profit for the year	–	–
Deferred tax	–	–
Tax charge for the year	–	–

The tax on the Company's profit or loss before tax does not differ from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	2017 £'000	2016 £'000
Factors affecting the tax charge for the year:		
Jersey (country of domicile)		
The tax assessed for the year varies from the standard rate of income tax as explained below:		
Profit/(loss) on ordinary activities before taxation	2,870	(6,329)
Profit on ordinary activities multiplied by the standard rate of income tax at nil%	–	–
Jersey tax charge for the year	–	–

8. Earnings per share

Earnings per ordinary share	2017	2016
Profit/(loss) for the year (£'000)	2,870	(6,329)
Weighted average number of shares ('000)	462,008	504,821
Basic earnings/(loss) per ordinary share	0.62p	(1.25p)
Diluted earnings/(loss) per ordinary share	0.62p	(1.25p)

Basic earnings/(loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year to assume conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements (continued)

9. Portfolio investments

	Quoted Equity Shares £'000
Fair value at 30 June 2015	12,836
Additions in the year	2,510
Investment disposals	(1,148)
Unrealised loss on the revaluation of investments	(6,134)
Fair value at 30 June 2016	8,064
Additions in the year	3,979
Investment disposals	(4,604)
Unrealised gain on the revaluation of investments	1,664
Fair value at 30 June 2017	9,103

10. Other receivables

	2017 £'000	2016 £'000
Other receivables	15	16
Prepayments and accrued income	9	8
	24	24

The Company considers that the carrying amount of other receivables approximates to their fair value. No impairment has been recognised on any receivable amounts and none are past due at the date of the financial statements.

11. Trade and other payables

	2017 £'000	2016 £'000
Trade payables	8	9
Other payables	8	7
Accruals	28	88
	44	104

The Company considers that the carrying amount of trade and other payables approximates to their fair value.

12. Financial risk & capital management

The Company's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The management of these risks is vested in the Board of Directors. The policies for managing each of these risks are summarised below:

Management of market risk

i) Price risk

The Company is exposed to market price risk in respect of its portfolio investments and its derivative financial instruments. The Company mitigates this risk by having established investment appraisal processes and asset monitoring procedures which are subject to overall review by the Board.

The Company has in place procedures and levels of authority designed to control the level of commitments, either in single investments or in aggregate.

Details of the Company's investment portfolio are given in note 9 to the financial statements.

Price risk sensitivity

The table below summarises the impact on the Company's profit before taxation for the year and on equity of a 10 per cent. increase/decrease in the underlying share price of the investment portfolio. The price sensitivity of 10 per cent. represents management's estimate of the premium/discount that may be achieved on sale of investment portfolio assets relative to the closing bid market price.

Impact of 10% price change

	2017 £'000	2016 £'000
Portfolio investments	910	806

ii) Interest rate risk

The Company has no borrowings and as such the risk is limited to the impact of interest received on cash surpluses held. Interest rate risk is managed in accordance with the liquidity requirements of the Company, with a minimum appropriate level of its cash surpluses held within an instant access account, which has a variable interest rate attributable to it, to ensure that sufficient funds are available to cover the Company's liquidity needs.

Interest rate sensitivity

The principal impact to the Company is the result of interest-bearing cash and short-term deposit (cash equivalent) balances held as set out below. The sensitivity is based on the maximum expected market volatility in the current climate and the previous 12 months.

	2017			2016		
	Fixed rate £'000	Floating rate £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Cash, cash equivalents and short-term deposits	2,016	2,633	4,649	2,014	864	2,878

At 30 June 2017, the impact of a 5 per cent. increase or decrease in interest rates would have increased/decreased the profit for the year and equity by an immaterial amount as a result of higher/lower interest received on floating rate cash deposits.

Notes to the Financial Statements (continued)

12. Financial risk & capital management (continued)

iii) Currency risk profile

In prior periods, the Company had a limited level of exposure to foreign exchange rate risk through its foreign currency denominated cash balances and trade receivable balances, however this is no longer the case as shown below. The Company manages its foreign exchange risk at Board level.

	Cash and cash equivalents 2017 £'000	Trade & other receivables 2017 £'000	Cash and cash equivalents 2016 £'000	Trade & other receivables 2016 £'000
GB Pounds Sterling	4,649	24	2,878	24
	4,649	24	2,878	24

Foreign exchange risk sensitivity

No foreign exchange risk sensitivity is presented given the relatively insignificant level of cash balances denominated in foreign currencies and any increase/decrease in the relevant foreign exchange rates versus the pound sterling rate would have an immaterial impact on the pre-tax result for the year and on equity.

Management of credit risk

The Company's principal financial assets are portfolio investments and bank balances. The credit risk associated with other receivables is considered to be minimal as the balances are due from counterparties with no history of default.

The Company seeks to limit the level of credit risk on the cash balances by only depositing surplus liquid funds at counterparty banks with high credit ratings.

The credit risk associated with portfolio investments is considered minimal.

Credit risk sensitivity

	2017 £'000	2016 £'000
Cash, cash equivalents and short-term deposits		
A	2,905	2,533
No rating provided*	1,744	345
	4,649	2,878

* These monies are held with a reputable international brokerage despite no credit rating being available.

12. Financial risk & capital management (continued)

The maximum exposure to credit risk on the Company's financial assets and liabilities is represented by their carrying amount, as outlined in the categorisation of financial instruments table below.

	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Financial assets at fair value through profit and loss £'000	Total £'000
Portfolio investments	–	–	9,103	9,103
Other receivables	15	–	–	15
Cash and cash equivalents	4,649	–	–	4,649
Trade and other payables	–	(44)	–	(44)
Net total at 30 June 2017	4,664	(44)	9,103	13,723
Portfolio investments	–	–	8,064	12,836
Other receivables	16	–	–	16
Cash and cash equivalents	2,878	–	–	2,878
Trade and other payables	–	(104)	–	(104)
Net total at 30 June 2016	2,894	(104)	8,064	10,854

The Company does not consider that any changes in the fair value of financial assets in the year are attributable to credit risk.

Portfolio investments are valued at closing bid market price at the reporting date and are all classed as Level 1 investments.

No aged analysis of financial assets is presented as no financial assets are past due at the reporting date.

Management of liquidity risk

The Company seeks to manage liquidity risk to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company deems there is sufficient liquidity for the foreseeable future.

No maturity analysis for financial liabilities is presented as the Directors consider that liquidity risk is not material.

The Company had cash, cash equivalents and short-term deposits at 30 June 2017 as set out below:

	2017 £'000	2016 £'000
Instant access	2,633	864
Maturing in 1 - 3 months	2,016	2,014
	4,649	2,878

At 30 June 2017 and 30 June 2016, with the exception of investment portfolio assets, all financial assets and liabilities mature for payment within one year.

Notes to the Financial Statements (continued)

12. Financial risk & capital management (continued)

Capital management

The Company's policy is to maintain a strong capital base. The Company manages all elements of shareholders' equity as financial capital, and seeks to increase this figure as a stated business objective over the medium to long term. The Company is entirely equity financed with no external capital requirements imposed upon it. In order to preserve capital the Company maintains a balanced investment portfolio and appropriate levels of cash and cash equivalents in order to remain liquid and take advantage of market opportunities as they arise. The Company's net asset value is monitored on an ongoing basis.

	30 June 2017 £'000	30 June 2016 £'000
Capital (net assets/shareholders' equity)	13,732	10,862
Increase/(decrease) from prior year	26.4%	(40.7%)

13. Share capital

Ordinary Shares	Number	£'000
Authorised ordinary shares of 1p:		
At 30 June 2016 and 30 June 2017	1,000,000,000	10,000
Allotted, issued and fully paid ordinary shares of 1p:		
At 30 June 2014	639,360,364	6,394
Purchase and cancellation of own shares	(93,077,565)	(931)
At 30 June 2015	546,282,799	5,463
Purchase and cancellation of own shares	(84,274,321)	(843)
At 30 June 2016 and 30 June 2017	462,008,478	4,620

Sarossa Plc was incorporated in Jersey on 7 March 2014. The Company was created to implement a re-organisation in relation to Sarossa Capital Limited (formerly called Sarossa Capital Plc and prior to that Antisoma Plc), under which Sarossa Capital Limited became a wholly owned subsidiary of Sarossa Plc on 2 May 2014. Shareholders in the company at the time of re-organisation received 639,360,364 ordinary shares of 1p issued by Sarossa Plc in the same proportionate interest as they had in Sarossa Limited, immediately prior to the re-organisation.

Sarossa Plc had no preference share capital at 30 June 2016 or 30 June 2015 but its wholly owned subsidiary Sarossa Capital Limited had 4,331,683 zero coupon, convertible, redeemable, preference shares of £1 each at the 30 June 2015 prior year end. Given the terms of the preference shares, these were considered to have a nil fair value on a going concern basis. These preference shares were repurchased at a cost of $25,000 (which was charged to administrative expenses) and subsequently cancelled during the year to 30 June 2016.

During the year to 30 June 2015 the Company acquired 93,077,565 of its own 1p ordinary shares. These shares were acquired on the open market for a total consideration of £1,603,000. The maximum and minimum share prices paid were 1.71p and 1.72p respectively. All shares acquired were cancelled and charged to retained earnings.

During the year to 30 June 2016 the Company acquired a further 84,274,321 of its own 1p ordinary shares. These shares were acquired on the open market for a total consideration of £1,117,000. The maximum and minimum share prices paid were 1.71p and 1.31p respectively. All shares acquired were cancelled and charged to retained earnings.

14. Equity capital and merger reserve

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Other Reserve £'000
At 30 June 2015	5,463	–	931	5,565
Purchase of shares for cancellation	(843)	–	843	–
Reversal of other reserve	–	–	–	(5,565)
At 30 June 2016 and 30 June 2017	4,620	–	1,774	–

As detailed in note 13, during the prior year the Company acquired a further 84,274,321 of its own 1p ordinary shares all of which were cancelled and an amount equal to the nominal value of the cancelled shares was transferred to a capital redemption reserve.

The other reserve arose on the shares issued by the Company to shareholders of Sarossa Capital Limited under the re-organisation on 2 May 2014. The other reserve was subsequently extinguished and transferred to retained earnings following the voluntary winding down and strike-off of that subsidiary.

15. Retained earnings surplus

	Note	2017 £'000	2016 £'000
At 1 July		4,468	1,996
Profit/(loss) for the year		2,870	(1,976)
Purchase of own shares for cancellation (see note 13)		–	(1,117)
Transfer from other reserve	14	–	5,565
At 30 June		7,338	4,468

16. Related party transactions

Transactions with related parties:

Purchases from and sales to related parties are made at normal market prices. When balances are outstanding at the year-end, these are unsecured, interest free and settlement occurs in cash.

The following amounts were credited through the Statement of Comprehensive Income in respect of related parties:

During the year ended 30 June 2017, employee benefit costs of £11,447 (2016: nil) were charged to ORA Limited, of which Sarossa's chairman, Michael Bretherton, is also a director. The outstanding balance owed to Sarossa by this related party at 30 June 2017 was £nil (2016: £nil).

The following fees were charged through the Statement of Comprehensive Income in respect of related parties:

During the year ended 30 June 2017, computer costs of £986 (2016: nil) were charged by ORA Limited, of which Sarossa's chairman, Michael Bretherton, is also a director. The outstanding balance owed by Sarossa to this related party at 30 June 2017 was £986 (2016: £nil).

Directors' remuneration.

The remuneration of the individual Directors is provided in the Directors' Report on page 9 and is also disclosed in Note 3. The Directors are also considered to be the key management of the Company.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2017 Annual General Meeting of Sarossa Plc (the "**Company**") will be held at 11.00 a.m. on 16 November 2017 at the Company's registered office at Floor 1 Liberation Station, The Esplanade, St Helier, Jersey, JE2 3AS for the following purposes:

ORDINARY BUSINESS

1 To receive and consider the Directors' Report, the audited Financial Statements and Independent Auditors' Report for the year ended 30 June 2017.

2 To consider and, if thought fit, to approve the re-appointment of Michael Bretherton as a Director of the Company, who retires pursuant to the articles of association of the Company (the "**Articles**") and who is recommended by the board of directors of the Company (the "**Board**") for re-appointment.

3 To consider and, if thought fit, to approve the re-appointment of Grant Thornton Limited as auditors of the Company and to authorise the Board to determine their remuneration.

SPECIAL BUSINESS

As special business to consider and, if thought fit, pass the following resolutions, of which resolution 4 will be proposed as an ordinary resolution and resolution 5 will be proposed as a special resolution:

Allotment of shares

4 **THAT** the Board be hereby generally and unconditionally authorised, in substitution for all previous powers granted to it, pursuant to article 5.3 of the Articles to exercise all the powers of the Company to allot and make offers to allot relevant securities (as defined in article 5.11 of the Articles) up to an aggregate nominal amount of £1,540,028.60 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2018 or 31 December 2018 (whichever is earlier) save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

Disapplication of pre-emption rights

5 **THAT** the Board be authorised and empowered, in substitution for all previous power granted to it, pursuant to article 5.10 of the Articles to allot equity securities (as defined in article 5.11 of the Articles) for cash pursuant to the authority referred to in resolution 6 above as if articles 5.4 to 5.8 of the Articles do not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

5.1 on a pro rata basis to the holders of ordinary shares in the Company where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Board may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under law or the requirements of any regulatory body or any recognised stock exchange in any territory; and

5.2 up to an aggregate nominal amount of £924,016.96 otherwise than pursuant to paragraph 5.1 above,

and this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2018 or 31 December 2018 (whichever is earlier) save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

On behalf of the Board

Sarossa Plc
Registered office:
Floor 1 Liberation Station
The Esplanade
St Helier
Jersey
JE2 3AS

James Sutcliffe

10 October 2017

EXPLANATORY NOTES

Entitlement to attend and vote

1 The Company specifies that only those members registered on the Company's register of members at:

- 11.00 a.m. on 14 November 2017; or,
- if this Meeting is adjourned, at 11.00 a.m. on the day two working days prior to the adjourned meeting (not counting non-working days), shall be entitled to attend and vote at the Annual General Meeting (the "**Meeting**").

Voting rights

2 On a show of hands at a general meeting of the Company every holder of shares present in person and entitled to vote, and every proxy duly appointed by a member entitled to vote, has one vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every share held.

Appointment of proxies

3 If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

4 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the chairman of the Meeting (the "**Chairman**") or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

5 A vote withheld will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy may vote or abstain from voting at his or her discretion. Your proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6 The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed (although no voting indication need be given if you wish your proxy to exercise their discretion) and signed;
- sent or delivered to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA; and received by Neville Registrars no later than 11.00 a.m. on 14 November 2017.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a copy of such power or authority certified notarially or in some other way approved by the board of directors of the Company) must be included with the proxy form.

Appointment of proxy by joint members

7 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Notice of Annual General Meeting (continued)

Changing proxy instructions

8 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, but have not retained a copy of the blank proxy form, please contact Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment as above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a copy of such power or authority certified notarially or in some other way approved by the board of directors of the Company) must be included with the revocation notice.

The revocation notice must be received by Neville Registrars no later than 11.00 a.m. on 14 November 2017. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

10 As at 6.00 p.m. on 9 October 2017, the Company's issued ordinary share capital comprised 462,008,478 ordinary shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company.

Quorum

11 The quorum for the Meeting is not less than two shareholders present either in person or by proxy. The majority required for the passing of each of the ordinary resolutions is a simple majority of the total number of votes cast on each such ordinary resolution. The majority required for the passing of each of the special resolutions is three-quarters of the total number of votes cast on each such special resolution.

12 At the Meeting the votes may be taken on the resolutions by a show of hands or on a poll. On a show of hands every shareholder whether present in person or by proxy has one vote. On a poll every shareholder who is present, in person or by proxy, shall have one vote for every ordinary share held. A shareholder entitled to more than one vote need not use all of their votes or cast all of their votes in the same way.

13 To allow effective constitution of the meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman.

Documents on display

14 The following documents will be available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the Meeting:

a. copies of the service contracts of executive directors of the Company; and

b. copies of letters of appointment of the non-executive directors of the Company.

Notes

Notes

Sarossa Plc
Floor 1 Liberation Station
The Esplanade
St Helier
Jersey
JE2 3AS

Incorporated in Jersey with
registered no. 115158