



Sarossa Plc

Interim Financial Report

For the six months ended 31 December 2019

SAROSSA PLC
DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

Richard Griffiths	<i>Chairman</i>
Michael Bretherton	<i>Chief Executive Officer</i>
James Ede-Golightly	<i>Non-Executive Director</i>

COMPANY SECRETARY

James Sutcliffe

COMPANY WEBSITE

www.sarossapl.com

COMPANY NUMBER

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SAROSSA PLC
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SAROSSA PLC CHAIRMAN'S STATEMENT

Sarossa Plc ('Sarossa' or 'the Company') performed well during the 6 month interim period to 31 December 2019 recording a gross investment return of £7.28 million, which, after net overhead costs of £0.30 million, resulted in a net profit after tax of £6.98 million. This compares to a loss after tax of £3.83 million in the corresponding 2018 half year period.

During the six months ended 31 December 2019, the Company spent £2.40 million on 2 new portfolio investments and £0.42 million on further additions to existing investment holdings. The Company also disposed of 3 of its portfolio investments in their entirety, generating total proceeds of £5.62 million and investment realisation gains of £0.34 million.

The carrying value of Sarossa's investments at 31 December 2019 was £15.24 million and comprised of 6 portfolio holdings all of which are quoted (30 June 2019: £10.84 million represented by 7 quoted holdings).

Cash and short-term deposit balances were £3.22 million at 31 December 2019 compared to £0.66 million at the previous 30 June 2019 year end.

Net assets attributable to holders of Sarossa at 31 December 2019 were £18.48 million (equivalent to £462 per share) compared with £11.49 million (equivalent to £288 per share) at 30 June 2019.

COVID-19 update

The coronavirus (COVID-19) outbreak in 2020 has brought much human suffering and has disrupted global economic activity and brought down stock prices worldwide. This has had a negative impact on the Company's investment portfolio but the impact has been partially offset by an uplift in our Silence Therapeutics Plc investment following positive news of a strategic collaboration with AstraZeneca, such that the Sarossa loss for the quarter to 31 March 2020 is estimated to have been limited to approximately £0.8 million. That 3 month estimated loss equates to just over 4% of the Company's net asset value at the 31 December 2019 interim period end.

In early 2020 the Company spent £1.88 million on 3 new quoted portfolio investments and £0.91 million on further additions to existing investment holdings. There were no other investment additions or realisations in the quarter to 31 March 2020.

The Board is confident that the Company has sufficient working capital to maintain its operations for the foreseeable future. The Company currently has cash balances of approximately £0.3 million plus investments with a carrying value of approximately £17.4 million represented by 9 quoted holdings.

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% or where the value of the investment comprises at least 10% of Sarossa's net asset value, is given below:

Silence Therapeutics Plc ('Silence') is AIM listed and is developing a new generation of medicines by harnessing the body's natural mechanism of RNA interference, or RNAi, within its cells. Its proprietary technology can selectively inhibit any gene in the genome, specifically silencing the production of disease causing proteins. The technology is being used to develop a broad pipeline of product candidates in 3 principal areas of high unmet need: haematology, cardiovascular and rare diseases. The interim results to

30 June 2019 saw Silence deliver a 6 month loss after tax of £8.2 million, driven primarily by an increase in R&D spend, and the company held cash balances of £11.5 million at that date. In July 2019, Silence announced a collaboration agreement with Mallinckrodt plc that will allow the companies to develop and commercialise RNAi drug targets designed to inhibit or 'silence' the complement cascade, a group of proteins that are involved in the immune system and that play a role in the development of inflammation. Under this agreement, Mallinckrodt paid Silence an upfront amount of US \$20 million and also made an equity investment of £4.0 million. In addition, Silence is eligible to receive further payments on achievement of research and commercial milestones of many hundreds of US \$ millions. In March 2020, Silence announced another strategic collaboration, this time with AstraZeneca to discover, develop and commercialize small interfering RNA (siRNA) therapeutics for the treatment of cardiovascular, renal, metabolic and respiratory diseases. AstraZeneca will make an upfront cash payment of US \$60 million and an equity investment of US \$20 million in Silence. The parties anticipate initiating work on five targets within the first three years of the collaboration, with AstraZeneca having the option to extend the collaboration to a further five targets. AstraZeneca will pay Silence an option fee of US \$10 million for each selected target at the point of candidate nomination and thereafter for each target selected Silence will be eligible for up to US \$140 million in development milestones and up to US \$250 million in commercialization milestones as well as tiered royalties on net sales ranging from high single digit to low double digit. Sarossa's shareholding at 31 December 2019 was 2.79% of the issued share capital of Silence but this has subsequently been marginally diluted to 2.65% consequent to additional shares issued by Silence to date.

Caretech Holdings Plc ("Caretech") is an AIM listed leading provider of specialist residential care home and social care services, supporting adults and children with a wide range of complex needs in the UK. Caretech's core services provide for adults with learning disabilities, individuals who have or are recovering from mental illness, people with autistic spectrum disorder and people who have one or more physical impairments. It's children services cover assessment, residential care, education and fostering options. Caretech successfully completed the acquisition of Cambian Group Plc in October 2018 for £278.5 million, net of cash acquired. Following completion, the more diversified and enlarged company has been focused on integration of the two businesses and achieving cost synergies. CareTech now has a national presence with around 10,000 staff supporting some 4,500 vulnerable young people and adults. For the year ended 30 September 2019 revenue increased to £395.0 million and underlying profit before tax increased to £50.2 million before acquisition and integration costs. Sarossa's shareholding at 31 December 2019 was, and continues to be, 0.65% of the issued share capital of Caretech.

Plant Health Care Plc ('PHC') is an AIM listed leading provider of novel patent-protected biological products to the global agriculture markets. PHC's proprietary products protect plants against disease and increase crop yields and quality by enhancing natural processes within the plant. The company's lead product is Harpin and PHC also has a new technology segment focused on its PREtec (Plant Response Elicitor technology) platform used to selectively activate the innate growth and defence mechanisms of crop plants. In November 2019, PHC raised US \$3 million through the issue of shares to Ospraie Ag Science LLC, an agriculture venture capital firm, to provide funds to accelerate sales growth and commercialisation of the first products from its PREtec technology. In February 2020, PHC announced that it expects revenue for 2019 to be US \$6.4 million, 21% down on the prior year. This mainly reflects exceptionally difficult market conditions in the US and increased tariffs imposed on China by the US, coupled with the delayed receipt of an import licence in Brazil. PHC ended 2019 with US \$2.4 million in cash and the cash burn for the year was reduced to US \$4.8 million. PHC subsequently completed a further share issue fund raise of approximately US \$4.6 million before expenses in March 2020. Sarossa's shareholding 31 December 2019 was 5.27% of the issued share capital of PHC but this has now been diluted to 4.34% consequent to the March share issue fund raise.

SAROSSA PLC
CHAIRMAN'S STATEMENT

In addition to the above, Sarossa has 6 further quoted holdings of below 3% and less than 10% of Sarossa's net asset value. These include a zinc and gold mining company with Chinese based interests, a specialty pharmaceutical company focused on respiratory disease, an integrated microbiome company, a connectivity provider of landline, broadband, TV and mobile services, and a provider of accident management and vehicle hire services.

Outlook

The impact of the Covid-19 outbreak on economic prospects is severe and represents an economic pandemic which is suppressing growth on a global scale. Restrictions on movements of people, goods and services, and containment measures such as closures of factories, retail outlets, schools, leisure and sports venues have cut manufacturing and domestic demand which will disrupt activity for some time to come. The result could be a vicious cycle of lost profits and layoffs.

Against this economic backdrop, your Board will continue to maintain a rigorous and highly selective investment approach which is committed to delivering additional value for shareholders going forward. We remain confident in the underlying fundamentals, technologies and long-term potential for growth at the companies within our investment portfolio.

Richard Griffiths
Chairman

8 April 2020

SAROSSA PLC
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS TO 31 DECEMBER 2019

		6 months ended 31 December 2019 (Unaudited) £'000	6 months ended 31 December 2018 (Unaudited) £'000	Year ended 30 June 2019 (Audited) £'000
	Notes			
Gain / (loss) on portfolio investments		7,194	(3,599)	(2,947)
Dividend and other income		94	84	309
Gross investment return	3	7,288	(3,515)	(2,638)
Administrative expenses		(308)	(313)	(618)
Operating profit / (loss)		6,980	(3,828)	(3,256)
Finance income		2	1	1
Profit / (loss) before taxation		6,982	(3,827)	(3,255)
Taxation	4	-	-	-
Comprehensive income / (loss) for the period		6,982	(3,827)	(3,255)
Earnings / (loss) per ordinary share				
Basic and diluted	5	£174.72	(£83.89)	(£76.02)

The profit for the period arises from the Company's continuing operations.

There were no items of other comprehensive income or loss for the periods covered by these statements and therefore the profit for the period is also the total comprehensive income for the period, net of tax.

SAROSSA PLC
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Share capital £'000	Capital redemption reserve £'000	Retained Earnings Reserve £'000	Total £'000
At 31 December 2018	3,996	2,398	4,530	10,924
Total comprehensive income for the period	-	-	572	572
At 30 June 2019	3,996	2,398	5,102	11,496
Total comprehensive income for the period	-	-	6,982	6,982
At 31 December 2019	3,996	2,398	12,084	18,478

SAROSSA PLC
CONDENSED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Notes	At 31 December 2019 (Unaudited) £'000	At 31 December 2018 (Unaudited) £'000	At 30 June 2019 (Audited) £'000
ASSETS				
Non-current assets				
Portfolio Investments	6	15,235	10,291	10,838
		15,235	10,291	10,838
Current assets				
Trade and other receivables		48	42	34
Cash and cash equivalents		3,220	613	656
		3,268	655	690
Total assets		18,503	10,946	11,528
LIABILITIES				
Current liabilities				
Trade and other payables		(25)	(22)	(32)
Total liabilities		(25)	(22)	(32)
Net current assets		3,243	633	658
Net assets		18,478	10,924	11,496
Shareholders' equity				
Share capital	7	3,996	3,996	3,996
Capital redemption reserve	8	2,398	2,398	2,398
Retained earnings deficit		12,084	4,530	5,102
Total equity		18,478	10,924	11,496

Approved by the Board and authorised for issue on 8 April 2020.

Michael Bretherton
Chief Executive Officer

SAROSSA PLC
CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	6 months ended 31 December 2019 (Unaudited)	6 months ended 31 December 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
Notes	£'000	£'000	£'000
Cash flows from operating activities			
Profit / (loss) before tax for the period	6,982	(3,827)	(3,255)
Adjustments for:			
Finance income	(2)	(1)	(1)
Unrealised (gain) / loss on revaluation of portfolio investments	3 (6,850)	4,872	4,244
Realised gain on sale of portfolio investments	3 (344)	(1,273)	(1,297)
Operating cash flows before movement in working capital	(214)	(229)	(309)
Purchase of portfolio investments	6 (2,819)	(4,078)	(6,212)
Proceeds from sale of investments	5,616	5,770	8,009
Increase in trade and other receivables	(14)	(14)	(6)
Decrease in trade and other payables	(7)	(14)	(4)
Cash flows generated from operating activities	2,562	1,435	1,478
Cash flows from financing activities			
Interest received	2	1	1
Tender offer buyback of shares	-	(966)	(966)
Cash flows generated / (used) from financing activities	2	(965)	(965)
Total net cash flows generated	2,564	470	513
Net increase in cash and cash equivalents	2,564	470	513
Cash and cash equivalents at beginning of the period	656	143	143
Cash and cash equivalents at end of the period	3,220	613	656

1) BASIS OF PREPARATION

The interim financial statements of Sarossa Plc are unaudited condensed financial statements for the six months ended 31 December 2019. These include unaudited comparatives for the six months ended 31 December 2018 together with audited comparatives for the year ended 30 June 2019.

The financial information for the six months ended 31 December 2019 does not constitute statutory financial statements within the meaning of the Companies (Jersey) Law 1991. A copy of the audited financial statements for the year ended 30 June 2019 has been delivered to the Jersey Registrar of Companies. The auditor's opinion on those financial statements was unqualified, did not draw attention to any matters by way of an emphasis of matter paragraph, and contained no statement under section 113B(3) or section 113B(4) of the Companies (Jersey) Law 1991.

These interim condensed financial statements have been prepared on the basis of the accounting policies expected to apply for the financial year to 30 June 2020 which are based on the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in accordance with the provisions of the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The Company's presentation and functional currency is Sterling.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting', and should be read in conjunction with the Company's annual financial statements to 30 June 2019. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRS.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2019.

Going concern

Information on the business environment, financial position and the factors underpinning the Company's prospects and portfolio are included in the Chairman's Statement. The Directors confirm that they are satisfied that the Company has adequate resources to continue in business for the medium term based on the current liquid resources available. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of Sarossa Plc for the year ended 30 June 2019.

SAROSSA PLC
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

3) SEGMENTAL REPORTING

The Directors are of the opinion that the under IFRS 8 – ‘Operating Segments’ the Company has only one reportable segment, being Portfolio Investment Return. Segmental profit or loss is therefore equal to Company profit or loss and this basis of segmentation is consistent with the annual audited financial statements of the Company to 30 June 2019.

	6 months ended 31 December 2019 (Unaudited)	6 months ended 31 December 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
Unrealised gain/(loss) on revaluation of portfolio investments	6,850	(4,872)	(4,244)
Gain on disposal of portfolio investments	344	1,273	1,297
Net (loss)/gain on portfolio investments	7,194	(3,599)	(2,947)
Dividend income	94	84	309
Gross investment return	7,288	(3,515)	(2,638)

4) TAXATION

The accrued tax charge for the six month interim period is based on an estimated worldwide effective tax rate of nil percent, (six months to 31 December 2018: nil percent; year to 30 June 2019: nil percent).

5) EARNINGS PER SHARE (BASIC AND DILUTED)

Basic earnings or loss per share is calculated by dividing the gain attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

For diluted earnings or loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

	6 months ended 31 December 2019 (Unaudited)	6 months ended 31 December 2018 (Unaudited)	Year ended 30 June 2019 (Audited)
Gain/(loss) for the period (£'000)	6,982	(3,827)	(3,255)
Weighted average number of shares	39,962	45,625	42,817
Basic earnings/(loss) per ordinary share	£174.72	(£83.89)	(£76.02)
Diluted earnings/(loss) per ordinary share	£174.72	(£83.89)	(£76.02)

During the latter half of 2018 the Company undertook a share consolidation on the basis of one new share of £100 for every 10,000 shares of 1 pence held, which was then followed by a tender offer buyback of shares at a price of £155 per share. All comparative issued share figures used in the comparative calculations were adjusted accordingly to ensure comparability.

The Company had no dilutive potential ordinary shares in issue during the six months to 31 December 2018 and to 31 December 2019, or during the year to 30 June 2019 and consequently there was also no dilutive impact for those periods.

SAROSSA PLC
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

6) PORTFOLIO INVESTMENTS

	Quoted Equity Shares £'000
Fair value at 31 December 2018	10,291
Additions	2,134
Disposals	(2,215)
Unrealised gain on the revaluation of investments	628
Fair value at 30 June 2019	10,838
Additions	2,819
Disposals	(5,272)
Unrealised gain on the revaluation of investments	6,850
Fair value at 31 December 2019	15,235

All portfolio investments are held by Sarossa Plc and are valued at closing bid market price at the reporting date.

7) SHARE CAPITAL

Ordinary Shares	Number	£'000
Authorised ordinary shares		
At 31 December 2018 and 30 June 2019	100,000	10,000
At 31 December 2019	100,000	10,000
Allotted, issued and fully paid ordinary shares		
At 31 December 2018 and 30 June 2019	39,962	3,996
At 31 December 2019	39,962	3,996

The Company had a total of 39,962 ordinary shares, each with a nominal value of £100, in issue at the period end.

8) EQUITY CAPITAL AND RESERVES

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000
At 31 December 2018 and 30 June 2019	3,996	-	2,398
At 31 December 2019	3,996	-	2,398

9) RELATED PARTY TRANSACTIONS

During the period the Company paid remuneration to the Directors' in accordance with their service contracts and letters of appointment.

10) HALF YEAR FINANCIAL REPORT

A copy of this half year report, as well as the annual statutory accounts is available on the Company's website at www.sarossapl.com.