



Sarossa Plc
Interim Financial Report
For the six months ended 31 December 2020

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 ('Sarossa' or 'the Company') achieved another good performance during the six month period to 31 December 2020 recording a gross investment return of £5.56 million, which, after overhead costs of £0.31 million, resulted in a net profit after tax of £5.25 million. This compares to a profit after tax of £6.98 million in the corresponding 2019 half year period.

During the six months ended 31 December 2020, the Company spent £1.00 million on 1 new portfolio investment. The Company also made partial disposals of 2 existing portfolio investments, generating total proceeds of £1.21 million and investment realisation gains of £0.75 million.

The carrying value of Sarossa's investments at 31 December 2020 was £24.32 million and comprised of 10 portfolio holdings all of which are quoted (30 June 2020: £19.08 million represented by 9 quoted holdings).

Cash and short-term deposit balances were £0.18 million at 31 December 2020 compared to £0.21 million at the previous 30 June 2020 year end.

Net assets attributable to holders of Sarossa at 31 December 2020 were £24.53 million (equivalent to £614 per share) compared with £19.29 million (equivalent to £483 per share) at 30 June 2020.

COVID-19 update

The restrictions put in place by governments across the world to control the coronavirus (COVID-19) outbreak continue to disrupt global economic activity and are likely to adversely impact economic activity for some time to come. As alluded to in the 30 June 2020 financial report, the Board undertook a measured rebalancing of the Company's investment portfolio such that many of its investments are now in businesses operating in sectors that are considered to be relatively resilient to the adverse impacts of COVID-19.

Global stock market indices have proven robust and are currently higher than their pre-pandemic levels on the back of a materially smaller global economy. The full effects of the pandemic on the global economy will not be visible until restrictions are lifted, and government financial support packages are curtailed.

The Board is confident however that the Company has sufficient liquidity and working capital to maintain its operations for the foreseeable future.

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 listed on AIM and also has a U.S. listing with trading in the company's American Depository Shares on NASDAQ. Silence 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. In March 2020, the company announced a strategic collaboration with AstraZeneca to discover, develop and

commercialise siRNA therapeutics for the treatment of cardiovascular, renal, metabolic and respiratory diseases and as part of the collaboration agreement, Silence received an upfront cash payment of \$20.0 million and AstraZeneca also made a \$20.0 million equity investment in the company. In addition, AstraZeneca has unconditionally agreed to make a second cash payment of \$40.0 million by the first half of 2021. Silence anticipates working on five targets within the first three years of the collaboration and AstraZeneca has agreed to pay a \$10.0 million option fee per target when candidates move into IND-enabling studies. Silence may receive up to \$400 million in potential milestones for each target plus tiered royalties. The interim results to 30 June 2020 saw Silence deliver a 6 month loss after tax of £11.0 million, driven primarily by an increase in R&D spend, and the company held cash balances of £50.3 million at that date. Subsequent to that half year end, Mallinckrodt exercised its option to license two additional complement protein targets under its collaboration agreement with Silence and a \$2.0 million research milestone payment was triggered following the initiation of work on the second complement target in August 2020. Following completion of Silence's Nasdaq listing, the company announced the appointment in September 2020 of New York based Mark Rothera as President and Chief Executive Officer to lead the continued global expansion of Silence and in line with the strategy of increasing the company's presence in the United States. In addition, US based Craig Tooman was appointed Chief Financial Officer in January 2021. In February 2021, Silence announced an oversubscribed private placement of the company's American Depositary Shares with new and existing investors to raise approximately \$45 million (approximately £33 million) to support development of the company's pipeline based on its messenger RNAi GOLD™ (GalNAc Oligonucleotide Discovery) Platform. It was also announced in February 2021 that Silence will receive a further \$2.0 million milestone payment from Mallinckrodt following the initiation of work on a third target being explored for the treatment of complement pathway-mediated diseases. Sarossa's shareholding at 31 December 2020 was 2.63% of the issued share capital of Silence but this has subsequently been marginally diluted to 2.45% consequent to additional shares subsequently issued by Silence.

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. Its children services cover assessment, residential care, education and fostering options. Caretech has a national presence with around 10,000 staff supporting some 4,500 vulnerable young people and adults. For the year ended 30 September 2020 revenue increased by 8.9% to £430.0m million and underlying profit before tax increased to £27.9 million. This strong performance was achieved mainly via organic growth and synergies on continued integration of the Cambian Group which was acquired in October 2018. In addition, Caretech made 2 bolt-on acquisitions during 2020 comprising a 51% investment in United Arab Emirates based AS Group in February 2020 and a 70% investment in UK based Smartbox Holdings in October 2020. The AS Group had revenues of approximately £16.5 million for 2019 generated mainly from an out-patient facility in the emirate of Abu Dhabi offering child and adolescent mental healthcare services. Smartbox is a market-leading creator of software and hardware that helps disabled people without speech to have a voice and live more independently and the company generated revenue in excess of £10 million in 2019. Sarossa's shareholding at 31 December 2020 was, and continues to be, 0.59% of the issued share capital of Caretech.

Cicassia Group Plc ("Circassia") is an AIM listed global medical device company focused on respiratory diagnostics and monitoring. In April 2020, the company announced a transaction to terminate the development and commercialisation agreement between the company and AstraZeneca for the U.S. commercial rights to Tudorza® and Duaklir® and the transfer of these products back to AstraZeneca in order to transform Circassia into a debt-free business with a strong Niox based continuing operations business with the potential to expand into new territories. The company's management has subsequently undertaken a major restructuring of the business to focus on Niox and which has delivered significant cost savings resulting in a revised annual cost base for the Niox business (excluding head office costs of around £1.8 million) of approximately £21 million. On current gross margins, this means that the EBITDA breakeven point for the Niox business will be at around £30m of annualised revenue. In March 2021,

Circassia announced completion of a subscription fund raise with its major institutional shareholders to raise £5 million, together with its results for the year to 31 December 2020. Revenues for the continuing Niox business for the year ended 31 December 2020 were £23.9 million (2019: £34.6 million) having been adversely impacted by the Covid-19 pandemic causing restrictions in routine FeNO testing. Revenues have, however, started to recover with an upward trajectory, such that Q4 revenues were 86% of Q1 revenues. Cash balances at 31 December 2020 amounted to £7.4 million. Sarossa's shareholding at 31 December 2020 was 2.51%, and following £5 million subscription fund raise, reduced to 2.39% of the issued share capital of Circassia.

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. PHC offers products to improve the health, vigour and yield of major field crops such as corn, soybeans, potatoes and rice, as well as specialty crops such as fruits and vegetables. 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 October 2020, PHC entered into a strategic collaboration with Wilbur-Ellis, a recognized leader in precision agriculture, crop protection, seed, nutrition and biological products, for the development of four products from the PREtec platform for commercialization in fruit and vegetable crops in the USA, with the first launch as early as the end of 2022, subject to regulatory approvals. For the year to 31 December 2020, revenue increased to US\$6.6 million (2019: US \$6.4 million) which in constant currency reflects a sales increase of 9%. Covid-19 impacted sales in some markets in the second half. Gross margins were unchanged at 56% and the Commercial business (excluding the R&D operations) generated a positive EBITDA and cash for the first time. Cash and cash equivalents at 31st December 2020 were US\$4.1 million reflecting cash consumed of US\$2.7 million during the year versus US\$4.8 million consumed in 2019. In early January 2021 PHC announced that its new seed treatment, PHC279, for the prevention and treatment of Asian soybean rust has received federal approval for sale in Brazil and aims to launch PHC279 during the second half of 2021. Therefore, after more than eight years and over US\$20 million invested, the benefits of PREtec peptide products will soon be widely available to growers in Brazil, the U.S. and elsewhere. In March 2021, PHC announced it had raised a further \$10 million by way of a placing and subscription of shares, which was substantially over subscribed. Sarossa's shareholding 31 December 2020 was 4.34% of PHC, and following the recent placing and subscription, reduced to 3.62% of the issued share capital of PHC.

In addition to the above, Sarossa has 6 further AIM listed 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, an integrated microbiome company involved in the development of novel live biotherapeutics medicines, a provider of clinical diagnostics, drug discovery and analytical testing services, a connectivity provider of landline, broadband, TV and mobile services, and a provider of vehicle hire and accident management services.

Outlook

The welcome arrival of a number of COVID-19 vaccines and the associated roll-out of the global vaccination programs should now provide a pathway for the gradual easing of the social and economic restrictions currently in force. Uncertainties remain as to the scope and timing of the lifting of such restrictions as well as upon the possible emergence of any future adverse novel viruses. The global economy has materially reduced and both social and consumer habits and working and lifestyle norms are likely to have been altered permanently through the unprecedented measures taken to suppress COVID-19.

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The Sarossa Board will remain vigilant in the face of this uncertain future and shall continue to apply a disciplined investment approach to both preserve shareholder capital in the near term and deliver additional value for shareholders over the longer term. We remain confident in the underlying fundamentals, technologies and long-term potential for growth at the companies within our investment portfolio

Richard Griffiths
Chairman

25 March 2021

SAROSSA PLC
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS TO 31 DECEMBER 2020

		6 months ended 31 December 2020 (Unaudited) £'000	6 months ended 31 December 2019 (Unaudited) £'000	Year ended 30 June 2020 (Audited) £'000
	Notes			
Gain on portfolio investments		5,456	7,194	8,246
Dividend and other income		101	94	151
Gross investment return	3	5,557	7,288	8,397
Administrative expenses		(312)	(308)	(608)
Operating profit		5,245	6,980	7,789
Finance income		-	2	2
Profit before taxation		5,245	6,982	7,791
Taxation	4	-	-	-
Comprehensive income for the period		5,245	6,982	7,791
Earnings per ordinary share				
Basic and diluted	5	£131.25	£174.72	£194.97

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 2020

	Share capital £'000	Capital redemption reserve £'000	Retained Earnings Reserve £'000	Total £'000
At 31 December 2019	3,996	2,398	12,084	18,478
Total comprehensive income for the period	-	-	809	809
At 30 June 2020	3,996	2,398	12,893	19,287
Total comprehensive income for the period	-	-	5,245	5,245
At 31 December 2020	3,996	2,398	18,138	24,532

SAROSSA PLC
CONDENSED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

		At 31 December 2020 (Unaudited) £'000	At 31 December 2019 (Unaudited) £'000	At 30 June 2020 (Audited) £'000
	Notes			
ASSETS				
Non-current assets				
Portfolio Investments	6	24,323	15,235	19,080
		24,323	15,235	19,080
Current assets				
Trade and other receivables		52	48	29
Cash and cash equivalents		181	3,220	206
		233	3,268	235
Total assets		24,556	18,503	19,315
LIABILITIES				
Current liabilities				
Trade and other payables		(24)	(25)	(28)
Total liabilities		(24)	(25)	(28)
Net current assets		209	3,243	207
Net assets		24,532	18,478	19,287
Shareholders' equity				
Share capital	7	3,996	3,996	3,996
Capital redemption reserve	8	2,398	2,398	2,398
Retained earnings reserve		18,138	12,084	12,893
Total equity		24,532	18,478	19,287

Approved by the Board and authorised for issue on 25 March 2021.

Michael Bretherton
Chief Executive Officer

SAROSSA PLC
CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

	6 months ended 31 December 2020 (Unaudited)	6 months ended 31 December 2019 (Unaudited)	Year ended 30 June 2020 (Audited)
Notes	£'000	£'000	£'000
Cash flows from operating activities			
Profit before tax for the period	5,245	6,982	7,791
Adjustments for:			
Finance income	-	(2)	(2)
Unrealised gain on revaluation of portfolio investments	3 (4,711)	(6,850)	(7,903)
Realised gain on sale of portfolio investments	3 (745)	(344)	(343)
Operating cash flows before movement in working capital	(211)	(214)	(457)
Purchase of portfolio investments	6 (1,000)	(2,819)	(5,612)
Proceeds from sale of investments	1,213	5,616	5,616
(Increase) / decrease in trade and other receivables	(23)	(14)	5
Decrease in trade and other payables	(4)	(7)	(4)
Cash flows generated from operating activities	(25)	2,562	(452)
Cash flows from financing activities			
Interest received	-	2	2
Cash flows generated from financing activities	-	2	2
Net (decrease)/increase in cash and cash equivalents	(25)	2,564	(450)
Cash and cash equivalents at beginning of the period	206	656	656
Cash and cash equivalents at end of the period	181	3,220	206

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

1) BASIS OF PREPARATION

The interim financial statements of Sarossa Plc are unaudited condensed financial statements for the six months ended 31 December 2020. These include unaudited comparatives for the six months ended 31 December 2019 together with audited comparatives for the year ended 30 June 2020.

The financial information for the six months ended 31 December 2020 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 2020 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 2021 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 2020.

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 2020.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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 2020.

	6 months ended 31 December 2020 (Unaudited)	6 months ended 31 December 2019 (Unaudited)	Year ended 30 June 20200 (Audited)
Unrealised gain on revaluation of portfolio investments	4,711	6,850	7,903
Gain on disposal of portfolio investments	745	344	343
Net gain on portfolio investments	5,456	7,194	8,246
Dividend income	64	94	151
Other income	37	-	-
Gross investment return	5,557	7,288	8,397

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 2019: nil percent; year to 30 June 2020: 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 2020 (Unaudited)	6 months ended 31 December 2019 (Unaudited)	Year ended 30 June 2020 (Audited)
Gain for the period (£'000)	5,245	6,982	7,791
Weighted average number of shares	39,962	39,962	39,962
Basic earnings per ordinary share	£131.25	£174.72	£194.97
Diluted earnings per ordinary share	£131.25	£174.72	£194.97

The Company had no dilutive potential ordinary shares in issue during the six months to 31 December 2019 and to 31 December 2020, or during the year to 30 June 2020 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 2020

6) PORTFOLIO INVESTMENTS

	Quoted Equity Shares £'000
Fair value at 31 December 2019	15,235
Additions	2,793
Disposals	(1)
Unrealised gain on the revaluation of investments	1,053
Fair value at 30 June 2020	19,080
Additions	1,000
Disposals	(468)
Unrealised gain on the revaluation of investments	4,711
Fair value at 31 December 2020	24,323

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 2019 and 30 June 2020	100,000	10,000
At 31 December 2020	100,000	10,000
Allotted, issued and fully paid ordinary shares		
At 31 December 2019 and 30 June 2020	39,962	3,996
At 31 December 2020	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 REDEMPTION RESERVE

	Share capital £'000	Capital redemption reserve £'000
At 31 December 2019 and 30 June 2020	3,996	2,398
At 31 December 2020	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.

SAROSSA PLC
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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.