

**Chroma Therapeutics Limited**  
**Report and financial statements**

**Year ended 31 December 2019**



## **Company information**

Company number	4066289 (England & Wales)
Directors	R E Bungay T J Haines
Secretary	R E Bungay
Registered office	8 Williamson Close Winnersh Wokingham RG41 5RY

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## **Strategic report**

for the year ended 31 December 2019

The directors present their strategic report and financial statements for Chroma Therapeutics Ltd ('the Company'; registered number 04066289) for the year ended 31 December 2019.

### **Principal activity**

The principal activity of the Company during 2019 continued to be the research and development of novel therapeutic agents for the treatment of cancer and inflammatory disorders.

A number of restructuring events occurred during 2013 and 2014. During 2016 the Company sold its interests in the clinical development candidate CHR-3996 to the private company Viracta Therapeutics, Inc. ("Viracta") and sold its interests in the ESM technology to the private company Macrophage Pharma Ltd ("MPL") in return for shares in each of these companies. At the date of this report, the Company operates virtually with no ongoing operations, employees or research responsibilities. Following these transactions, the Company and its wholly-owned subsidiary, MacroTarg Limited, retain the rights to receive milestones and royalties from certain technology programs divested to the following companies. These companies are responsible for all ongoing research and development activity, cost and decision-making:

- GlaxoSmithKline ("GSK") – clinical development candidates including CHR-5154

### **General business review – consolidated statement of profit or loss and other comprehensive income**

The Company receives income relating to the achievement of milestones under its collaborations with GSK and CRTPF: such milestone income is not predictable. The Company did not receive any milestone income during the year ended 31 December 2019 or 31 December 2018.

The Company does not have regular sources of revenue other than interest earned on its cash and short term deposits.

Research and development expenditure was minimal reflecting the restructuring of its collaborations and the virtualisation of the Company during previous years. General and administrative expenditure was also reduced in comparison to the previous financial year as a result of the continuing impact of the restructuring.

The Company's income and expenses during the year were in line with its expectations.

### **General business review – consolidated balance sheet**

The balance sheet has total assets amounting to £5,113,167 (31 December 2018: £5,136,379).

#### **Assets**

The Company's primary asset is its investment in its subsidiary, MacroTarg Limited. The small decrease in current assets largely reflects the impact of net operational expenses during the year.

#### **Liabilities**

The small decrease in total liabilities reflects the timing of certain amounts payable. The majority of total liabilities is represented by the unsecured loan note. At the date of this report, the unsecured loan notes payable have a contractual repayment date of January 2021 and a cash repayment amount is £19,467,450.

### **General business review – consolidated cashflow statement**

Cash decreased from the previous year, largely reflecting the impact of net operational expenses during the year. Cash as at the year end was in line with the Company's expectations.

### **Analysis of financial key performance indicators**

The Company primarily measures its performance based upon the achievement of key milestones by the companies to which it has divested its research and development programmes, as described above.

## Strategic report (continued)

### Principal risks and uncertainties

The Company operates in a high-risk sector, which is reflected in the Company's investor base, comprising primarily specialist venture capital organisations. The key risks facing the Company, which are separated into those facing the Company's collaborators and that risk facing the Company, are as follows:

#### a) Risks facing the Company's collaborators:

##### *Product risk*

The development of a new therapeutic agent carries substantial risks, including difficulties in the design and execution of studies to evaluate the efficacy and safety of the agent or the results from such studies being inconsistent with those from earlier studies. In addition, the pharmaceutical sector is highly competitive with many companies pursuing similar therapeutic approaches. There is substantial risk that competitors' agents may reach the market ahead of those being developed by the Company's collaborators or have a superior profile to these agents, or that the Company's patent filings may be found to infringe the rights of others or be declared invalid.

##### *Regulatory risk*

The pharmaceutical sector is regulated by relevant authorities in the EU, US and the rest of the world. There is substantial risk that the Company's collaborators may not be able to agree study designs with regulatory authorities that are mutually acceptable or that regulatory requirements may change during the course of a study, rendering the results of the study unusable.

#### b) Risk facing the Company

##### *Financing risk*

At the date of this report, the sole future income stream for the Company is the receipt of milestones and royalties from its collaborator, GSK, contingent on the successful achievement of future product development, regulatory approval and sales objectives, all of which are outside of the control of the Company. The timing and quantum of those receipts is uncertain, although the expected timing extends between 1 and 5 years from the balance sheet date.

At the date of this report, the Company has insufficient funds to settle unsecured loans with a cash total repayment amount of £19,467,450, due in January 2021. The Company will be required to negotiate the further extension of the unsecured loans' current contractual repayment terms until further cash receipts from Company collaborators occur. If further cash receipts from collaborators are insufficient to settle the remaining unsecured loans, the Company will be required to negotiate the waiver of certain proportions of the unsecured loans owed to shareholders.

On behalf of the Board



**R E Bungay**  
Director

## Directors' report

for the year ended 31 December 2019

The directors present their report and financial statements for Chroma Therapeutics Ltd ('the Company'; registered number 04066289) for the year ended 31 December 2019.

### Going concern

The financial statements have been prepared on a going concern basis, which assumes that, for the foreseeable future, the Company will continue in operation and be able to meet its liabilities as they fall due. In concluding that it is appropriate to adopt the going concern basis the directors considered cash flow forecasts for the 12 month period from the date of these financial statements.

Given the various restructuring events which began in 2012 and continued to the date of this report the Directors describe here the position at the date of this Report.

The Company's sole debt obligations, other than minimal working capital supplier balances, are the unsecured loan notes held by certain of the Company's corporate shareholders, with a contractual repayment date of 19 January 2021. The future cash repayment amount, as at 31 December 2019, is fixed at £19,467,450, including principal and all associated interest/redemption premiums.

The Company is now virtual, with minimal cash outgoings, and is organised in order to collect potential future milestones, royalties and revenue shares from its collaborations with GSK and CRTPF.

Based on current financial forecasts, the Company has adequate funds to run its envisaged operations for the 12 month period from the date of these financial statements.

Whilst a significant proportion of the unsecured loan is expected to remain outstanding at the current contractual repayment date of 19 January 2021 and uncertainties exist in relation to the timing and quantum of future cash receipts from GSK and CRTPF, and completing the extension of the contractual repayment date of unsecured loans until after the receipt of such amounts, the Directors have reasonable expectations that the noteholders will consent to extending the contractual repayment date and that sufficient future milestones, royalties and revenue shares will be generated to enable the remaining unsecured loan notes to be repaid. In the event that such future cash receipts are not sufficient to repay the outstanding unsecured loan notes, the Company would renegotiate the outstanding loan amounts to a level which could be settled based on funds available. The status of future collaboration income will be reassessed regularly by the directors and shareholders/loan note holders.

Accordingly the Board considers that the business is a going concern and continues to adopt the going concern basis in preparing the financial statements. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

### Results and dividends

The Company made a loss for the year of £18,552 (year ended 31 December 2018: loss of £104). The directors do not recommend the payment of a dividend. Expenditure on tangible fixed assets during the year was £nil (year ended 31 December 2018: £nil).

### Future developments

Following the restructuring of its operations to become a virtual company with minimal cash burn, the Company expects expenditures to be lower in 2020.

### Directors and their interests

The directors who held office during the year and their interests in the share capital of the Company, as recorded in the register of directors' interests, of those serving at the year end, were as follows:

	Options over ordinary shares of £0.001 each		Ordinary shares of £0.001 each	
	At 31 Dec 2019	At 31 Dec 2018	At 31 Dec 2019	At 31 Dec 2018
R E Bungay	-	-	-	-
T J Haines	-	-	-	-

Ordinary shares issued to directors and employees are subject to a vesting period of between 13 months and 59 months from the date of issue. Vesting conditions for share options are detailed in Note 11 to the financial statements.

## **Directors' report (continued)**

### **Directors' qualifying third party indemnity provisions**

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

### **Financial risk management**

The Company did not have any material exposure to foreign currencies during the year ended 31 December 2019. To the extent that cash reserves are not required to meet immediate operational requirements, excess reserves are invested in an interest-bearing deposit account. The Company does not currently have any material exposure to credit risk.

### **Charitable and political donations**

The Company did not make any charitable or political donations during the year.

### **Payment of creditors**

The Company's policy with respect to the payment of its suppliers is to either use standard payment terms or to agree payment terms when entering into a transaction and to abide by those terms. Trade payables as at 31 December 2019 were minimal, reflecting the virtualisation of the Company.

### **Post-period events**

During 2018 the loan note holders agreed to extend the repayment date of the unsecured loan from 19 January 2018 to 19 January 2021.

### **Statement of directors' responsibilities in respect of the consolidated financial statements**

Company Law requires that the directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and have elected to prepare financial statements in accordance with those International Financial Reporting Standards as adopted by the European Union. Under Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS8: Accounting Policies, Changes in Accounting Estimates and Errors, and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the Company's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board on 27 January 2020 and has been prepared in accordance with the Companies Act 2006.

On behalf of the Board



**R E Bungay**  
Director

**Statement of profit or loss  
and other comprehensive income**  
for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Research and development costs		-	(458)
Administrative expenses		(18,919)	(17,840)
Other operating income	4	-	17,875
<b>Operating loss</b>		<b>(18,919)</b>	<b>(423)</b>
Finance revenue	4	367	319
<b>Loss before taxation</b>		<b>(18,552)</b>	<b>(104)</b>
Taxation	7	-	-
<b>Total comprehensive expense for the year</b>		<b>(18,552)</b>	<b>(104)</b>

**Balance sheet**  
as at 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiary company	8	5,000,002	5,000,002
<b>Current assets</b>			
Trade and other receivables	9	77	6,587
Cash and short term deposits	10	113,088	129,790
		<u>113,165</u>	<u>136,377</u>
<b>TOTAL ASSETS</b>		<u><b>5,113,167</b></u>	<u><b>5,136,379</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	12	49,999	49,999
Share premium		63,566,660	63,566,660
Warrants		118,934	118,934
Other reserves	12	189,560	189,560
Accumulated losses		(78,282,007)	(78,263,455)
<b>Total equity</b>		<u>(14,356,854)</u>	<u>(14,338,302)</u>
<b>Non-current liabilities</b>			
Unsecured loan	15	19,467,450	19,467,450
<b>Current liabilities</b>			
Trade and other payables	14	2,571	7,231
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>5,113,167</b></u>	<u><b>5,136,379</b></u>

For the year ending 31 December 2019 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with Section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

Approved by the Board on 27 January 2020 signed on its behalf by



**R E Bungay**  
Director

Company number: 04066289 (England & Wales)



**Statements of changes in equity**  
for the year ended 31 December 2019

	Issued capital £	Share premium £	Warrants £	Other reserves £	Accumulated losses £	Total equity £
At 1 January 2018	49,999	63,566,660	118,934	189,560	(78,263,351)	(14,338,198)
Loss for the year	-	-	-	-	(104)	(104)
<b>At 31 December 2018</b>	<b>49,999</b>	<b>63,566,660</b>	<b>118,934</b>	<b>189,560</b>	<b>(78,263,455)</b>	<b>(14,338,302)</b>
Loss for the year	-	-	-	-	(18,552)	(18,552)
<b>At 31 December 2019</b>	<b>49,999</b>	<b>63,566,660</b>	<b>118,934</b>	<b>189,560</b>	<b>(78,282,007)</b>	<b>(14,356,854)</b>

## Cashflow statement

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £	Year ended 31 December 2018 £
<b>Cash flows from operating activities</b>			
Operating loss		(18,919)	(423)
Adjustments to reconcile operating (loss) to net cash flows from operating activities:			
Working capital adjustments			
• (Decrease) in payables		(4,660)	(3,130)
• Decrease/(Increase) in receivables		6,510	(5,728)
<b>Net cash (outflow) from operating activities</b>		<b>(17,069)</b>	<b>(9,281)</b>
<b>Cash flows from financing activities</b>			
Interest received		367	319
<b>Net cash inflow from financing activities</b>		<b>367</b>	<b>319</b>
Net (decrease) in cash and cash equivalents		(16,702)	(8,962)
Cash and cash equivalents at start of period	10	129,790	138,752
<b>Cash and cash equivalents at end of period</b>	<b>10</b>	<b>113,088</b>	<b>129,790</b>

## **Notes to the consolidated financial statements** for the year ended 31 December 2019

### **1 CORPORATE INFORMATION**

The financial statements of Chroma Therapeutics Limited for the year ended 31 December 2019 ("financial statements") were authorised for issue in accordance with a resolution of the directors on 27 January 2020. Chroma Therapeutics Limited is a limited company incorporated in England & Wales and domiciled in the United Kingdom.

### **2 BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis, except for provisions, employee share options, warrants and items settled by issue of shares, which have been measured at fair value. For the year ending 31 December 2019 the Company was entitled to exemption from producing consolidated financial statements under section 479 of the Companies Act 2006 relating to small groups. The financial statements are presented in sterling and all values are rounded to the nearest pound.

#### *Going concern*

The financial statements have been prepared on a going concern basis, which assumes that, for the foreseeable future, the Company will continue in operation and be able to meet its liabilities as they fall due. In concluding that it is appropriate to adopt the going concern basis the directors considered cash flow forecasts for the 12 month period from the date of these financial statements.

Given the various restructuring events which began in 2012 and continued to the date of this report the Directors describe here the position at the date of this Report.

The Company's sole debt obligations, other than minimal working capital supplier balances, are the unsecured loan notes held by certain of the Company's corporate shareholders, with a contractual repayment date of 19 January 2021. The future cash repayment amount, as at 31 December 2018, is fixed at £19,467,450, including principal and all associated interest/redemption premiums.

The Company is now virtual, with minimal cash outgoings, and is organised in order to collect potential future milestones, royalties and revenue shares from its collaborations with GSK and CRTPF.

Based on current financial forecasts, the Company has adequate funds to run its envisaged operations for the 12 month period from the date of these financial statements.

Whilst a significant proportion of the unsecured loan is expected to remain outstanding at the current contractual repayment date of 19 January 2021 and uncertainties exist in relation to the timing and quantum of future cash receipts from GSK and CRTPF, and completing the extension of the contractual repayment date of unsecured loans until after the receipt of such amounts, the Directors have reasonable expectations that the noteholders will consent to extending the contractual repayment date and that sufficient future milestones, royalties and revenue shares will be generated to enable the remaining unsecured loan notes to be repaid. In the event that such future cash receipts are not sufficient to repay the outstanding unsecured loan notes, the Company would renegotiate the outstanding loan amounts to a level which could be settled based on funds available. The status of future collaboration income will be reassessed regularly by the directors and shareholders/loan note holders.

Accordingly the Board considers that the business is a going concern and continues to adopt the going concern basis in preparing the financial statements. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

## Notes to the consolidated financial statements

for the year ended 31 December 2019

### 2 BASIS OF PREPARATION (continued)

#### *Statement of compliance*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. All IFRSs issued by the International Accounting Standards Board ("IASB") that were effective at the time of preparing the financial statements and adopted by the European Commission for use inside the EU were applied by the Company. These Company financial statements have been prepared in accordance with IFRS and the Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

#### *Changes in accounting policies*

The accounting policies adopted by the Company are consistent with the previous financial year except for the following relevant new and amended IFRSs and IFRIC interpretations effective as of 1 January 2019:

- IFRS 9 *Financial Instruments* amendments regarding prepayment features with negative compensation and modifications of financial liabilities
- IFRS 16 *Leases*
- IAS19 *Employee Benefits* Amendments regarding plan amendments, curtailments or settlements
- IAS28 *Investments in Associates and Joint Ventures* Amendments regarding long-term interests in associates and joint ventures
- Amendments resulting from Annual Improvements 2015–2017 Cycle

Adoption of these standards did not have any effect on the Company, or result in any changes in accounting policy or additional disclosure.

#### *New IFRSs and interpretations not yet adopted*

The following new IFRSs and interpretations, relevant to the Company, have been issued up to the date of signing the 2019 financial statements but are not yet effective and have not been applied in the Company's 2019 financial statements:

- IFRS 3 *Business Combinations* amendments to clarify the definition of a business effective 1 January 2020
- IFRS 7 *Financial Instruments: Disclosures* amendments regarding pre-replacement issues in the context of the IBOR reform effective 1 January 2020
- IFRS 17 *Insurance Contracts* effective 1 January 2021
- IAS 1 *Presentation of Financial Statements* amendments regarding the definition of material effective 1 January 2020
- IAS 1 *Presentation of Financial Statements* amendments regarding the classification of liabilities effective 1 January 2022
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* amendments regarding the definition of material effective 1 January 2020
- IAS 39 *Financial Instruments: Recognition and Measurement* amendments regarding pre-replacement issues in the context of the IBOR reform effective 1 January 2020
- Amendments to References to the Conceptual Framework in IFRS Standards effective 1 January 2020

The impact of the adoption of the other IFRSs and interpretations listed above is not expected to have a material impact on the financial position or performance of the Company.

#### *Significant accounting judgements, estimates and assumptions*

The Company has not applied any judgements (other than estimations) having a significant effect on any amounts recognised in the financial statements. The Company has not identified any assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Notes to the consolidated financial statements for the year ended 31 December 2019

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Intangible assets

##### *Research and development costs*

The principal business activity of the Company is the research and development of human therapeutic agents. In order to achieve authorisation from the appropriate regulatory authorities to sell human therapeutic agents, multiple studies and clinical trials must be successfully completed. Such activities require the application of substantial resources and skilled individuals, which may not be available to the Company on a timely basis or at all. The risks associated with the successful completion of a registration programme for a therapeutic agent are substantial. In many cases the Company may choose to license its therapeutic programmes to a third party with substantially greater resources, however the risks associated with successful completion of a registration programme remain high. Research costs are expensed as incurred. Reflecting the risks highlighted above, the Company capitalises internal development costs only to the extent that it is more likely than not that the associated therapeutic agent will obtain authorisation from regulatory authorities. The threshold for such recognition will normally be the successful completion of the regulatory approval for a therapeutic agent. The value of such an intangible asset is capitalised by reference to the costs incurred in creating the asset and then amortised by reference to the useful economic life of, and the projected revenues from, the therapeutic agent. The Company has not incurred any costs meeting the capitalisation criteria detailed above to date.

##### **Impairment of assets**

The Company assesses at each end of reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or where annual impairment testing for an asset is required, the Company makes an estimate of the assets recoverable amount. An assets recoverable amount is the higher of an assets fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each end of reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

##### **Available-for-sale investment - equity shares**

Assets are designated as available-for-sale if they are not held for operational purposes and are readily tradable on a recognised investment exchange. The fair value of quoted equity shares is determined by reference to published price quotations in an active market. Shares in unquoted companies are ascribed a nil value upon acquisition since there is typically no market for resale of such shares.

## Notes to the consolidated financial statements

for the year ended 31 December 2019

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash at banks net of outstanding bank overdrafts, cash in hand and treasury deposits. All treasury deposits are held to meet operational needs, have an original maturity of twelve months or less, are readily tradable and are recorded in the balance sheet at their open market value. Consequently, all treasury deposits are classified as cash and cash equivalents.

#### Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

#### *Policy applicable from 1 January 2019*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### *Policy applicable before 1 January 2019*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent upon the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- a There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c There is a change of the determination of whether fulfilment is dependent upon a specified asset; or
- d There is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c and d and at the date of renewal or extension for scenario b.

#### Share-based payment transactions

From time-to-time the Company issues shares as consideration for rights granted under technology licence agreements and grants share options to employees of the Company. Both types of share-based payment are equity settled transactions as detailed below.

**Notes to the consolidated financial statements**  
for the year ended 31 December 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Share-based payment transactions (continued)**

*Equity-settled transactions*

The cost of equity-settled technology rights transactions is measured by reference to fair value of the equity issued at the date on which the relevant technology rights are granted to the Company. The cost is expensed to the statement of profit or loss and other comprehensive income immediately on obtaining such rights. The cost of equity-settled transactions with employees and directors is measured by reference to the fair value at the date at which they are granted (after approval by the directors) and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees and directors become fully entitled to the award.

Fair value is determined using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each end of reporting period before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous end of reporting period is recognised in the statement of profit or loss and other comprehensive income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the statement of profit or loss and other comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the statement of profit or loss and other comprehensive income.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Warrants**

Warrants are measured at the date of issue using the Black-Scholes pricing model taking into account the terms and conditions upon which the instruments were granted (see Note 13). The treatment of warrants issued to Hercules during 2010 is explained in Note 13.

**Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest income*

Revenue is recognised as interest accrues using the effective interest rate method.

**Notes to the consolidated financial statements**  
for the year ended 31 December 2019

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

*Research and development collaboration income*

Receipts under research and development collaboration agreements are recognised upon confirmation from the collaborator that the relevant criteria for receipt of such payments have been met by the Company. Where the income relates to an ongoing obligation it is recognised as income over the period necessary to match the income on a systematic basis to the costs relating to the contractual obligation. Where the income relates to the successful completion of an objective under the collaboration agreement (referred to as a "milestone" receipt), it is fully recognised upon confirmation from the collaborator that the relevant criteria for receipt of such payments have been met by the Company.

**Taxation**

*Current tax*

Current tax assets for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

*Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each end of reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the asset is realised, based on tax rates (and tax laws) enacted or substantively enacted at the end of reporting period.

**Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Backend fees (including 'balloon' interest payments) on interest-bearing loans and redemption premiums on non-interest bearing loans are amortised using the effective interest rate method over the period of the loan. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

**Borrowing costs**

Interest payable on loans is recognised as it accrues using the effective interest rate method.

**Foreign currency translation**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of each reporting period. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. All exchange differences arising in the normal course of business are taken to the statement of profit or loss and other comprehensive income as they arise.

**Segment information**

The Company operates in one business segment, the research and development of novel therapeutic agents for the treatment of cancer and inflammatory disorders. The Company's revenue streams during the reporting period were research and development collaboration income and the sale of technology (Note 4). As a consequence, no segmental analysis of revenue is required for the reporting period; a geographic split of research and development collaboration income is presented based upon the country of domicile of the collaboration partner.



**Notes to the consolidated financial statements**  
for the year ended 31 December 2019

**4 EXPENSES**

(a) Employee benefits expense

The Company had no employees during the year ended 31 December 2019 or the year ended 31 December 2018.

(b) Other operating income

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£	£
Refund of historic business rate payments	-	17,875
	-	17,875

(c) Fees paid to auditors

For the years ending 31 December 2019 and 31 December 2018 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with Section 476. Administrative Expenses include fees paid to the auditors for audit services of £nil (year ended 31 December 2018: £nil), for corporate finance advisory services of £nil (year ended 31 December 2018: £nil), for other services relating to taxation of £nil (year ended 31 December 2018: £nil) and other accounting services of £nil (year ended 31 December 2018: £nil).

(d) Finance revenue

Finance revenue comprises the following:

	31 Dec 2019	31 Dec 2018
	£	£
Interest receivable on cash at bank and short term deposits	367	319
	367	319

**5 EMPLOYEES**

The Company had no employees during the year ended 31 December 2019 or the year ended 31 December 2018.

**6 DIRECTORS' REMUNERATION**

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
	£	£
Total emoluments	-	-
Compensation for loss of office	-	-
Employers contributions paid to money purchase pension schemes	-	-

As at 31 December 2019, no director (31 December 2018: no director) was accruing benefits under defined contribution pension schemes.

**Notes to the consolidated financial statements**  
for the year ended 31 December 2019

**7 TAXATION**

**(a) Factors affecting the tax credit for the year**

The tax assessed on the profit for the year for the Company is lower than the effective standard rate of UK corporation tax. The differences are explained below:

	Year ended 31 Dec 2019 £	Year ended 31 Dec 2018 £
Loss before tax	(18,552)	(104)
Loss before tax multiplied by effective standard rate of corporation tax in the UK of 19%	(3,525)	(20)
Effect of:		
Disallowed expenses and non-taxable income	8	5,491
Timing differences between capital allowances and depreciation charges	-	-
Impact of brought forward tax losses	3,517	(5,471)
Unrelieved tax losses	-	-
Current tax credit for the period	-	-
Adjustment relating to claims for prior periods	-	-
Total tax credit for the period	-	-

The standard rate of UK corporation tax for the years ended 31 December 2019 and 31 December 2018 was 19%.

**(b) Deferred income tax**

The deferred tax asset, calculated at a rate of UK corporation tax of 17% (31 December 2018: 17%), not recognised in the financial statements is as follows:

	Year ended 31 Dec 2019 £	Year ended 31 Dec 2018 £
Decelerated capital allowances	652	795
Tax losses available	9,122,901	9,116,259
	9,123,553	9,117,054

The deferred tax asset has not been recognised as there is uncertainty regarding when suitable future profits against which to offset the accumulated tax losses will arise. There is no expiration date for the accumulated tax losses.

A reduction in the rate to 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied to the Company's deferred tax balance at the balance sheet date.

**Notes to the consolidated financial statements**  
for the year ended 31 December 2019

**8 INVESTMENTS**

	Company 31 Dec 2019 £	31 Dec 2018 £
Investment in subsidiary company	5,000,002	5,000,002

Name of subsidiary	Country of incorporation	Class of shares held	Proportion held	Activity
MacroTarg Ltd	UK	Ordinary	100%	Research and development

The cost of investment in subsidiary is recorded at fair value on the date of acquisition.

**9 TRADE AND OTHER RECEIVABLES**

	31 Dec 2019 £	31 Dec 2018 £
Trade receivable	-	5,940
VAT recoverable	77	647
Amounts due from subsidiary company	-	-
	77	6,587

Amounts due from subsidiary company represent an inter-company loan account with the Company's wholly-owned subsidiary company, MacroTarg. The loan carries interest on the average balance outstanding each month at 2% above the base lending rate of Barclays Bank plc. The Company does not have a right to recall the loan except in the event that MacroTarg ceases to be a wholly-owned subsidiary of the Company, in which case the Company has the right to request repayment of the loan on 90 days' notice.

Since MacroTarg is now dormant, Chroma is not charging the interest on the outstanding balance with effect from 1 January 2019. The amount due from MacroTarg for the year ended 31 December 2018 of £1,205,521 (year ended 31 December 2018: £1,205,521) has been fully provided for in the Company's accounts since MacroTarg has negative net assets and is therefore judged unlikely to be able to repay the loan balance should it be recalled. The movements on the inter-company loan account were as follows:

	Loan account £	Provision £	Net balance £
At 1 January 2018	1,175,306	(1,175,306)	-
Movement in year	30,215	(30,215)	-
At 31 December 2018	1,205,521	(1,205,521)	-
Movement in year	-	-	-
At 31 December 2019	1,205,521	1,205,521	-

**Notes to the consolidated financial statements**  
for the year ended 31 December 2019

**10 CASH AND SHORT TERM DEPOSITS**

	31 Dec 2019	31 Dec 2018
	£	£
Cash at bank and in hand	-	-
Short term deposits	113,088	129,790
	<u>113,088</u>	<u>129,790</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for periods between one day and twelve months depending upon the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. Interest earned is detailed in Note 4.

**11 SHARE-BASED PAYMENT PLANS**

*Enterprise Management Incentive ('EMI') scheme*

All employees of the Company participate in the Company's EMI share option scheme. Options granted under this scheme vest over a period of four years from the commencement date and, to the extent they have vested, are only exercisable in the event of an initial public offering of the Company's shares or trade sale of the Company. The exercise price of the options is the market value of the Company's ordinary shares at the date of grant of the option. The options expire after 10 years from their commencement date. The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	Year ended 31 Dec 2019		Year ended 31 Dec 2018	
	Number	WAEP	Number	WAEP
Outstanding at the beginning of the period	301,500	£0.18	301,500	£0.18
Lapsed during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Outstanding at the end of the period	<u>301,500</u>	<u>£0.18</u>	<u>301,500</u>	<u>£0.18</u>
Exercisable at the end of the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The options outstanding at 31 December 2019 had a weighted average remaining contractual life of 0 years (31 December 2018: 0 years) and have exercise prices of £0.18 per share (31 December 2018: £0.18 per share). Included within the outstanding options are 240,000 options issued to former directors of the Company on an unapproved basis under the rules of the EMI scheme.

The fair value of options is measured at the date of grant using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The Company did not grant any options during the current or prior financial year.

The Company does not have any historical data relating to the expected period to exercise of the options and therefore has estimated this based upon industry experience, with a 7 year period assumed for senior management and a 5 year period assumed for all other employees. The expected volatility has been estimated based upon historical data from companies with a similar profile in the biotechnology sector. The risk free interest rate represents a weighted average of the yield for gilts issued by the UK government at the date of grant of each option. The weighted average share price is determined by performing a share valuation at the date of grant of the options. The expense calculation includes an allowance for forfeiture of 10% of the total share options granted other than to senior management, for which the forfeiture rate is estimated as 0%. The fair value calculation does not include any allowance for dividends as the Company has no available profits for distribution.

## Notes to the consolidated financial statements

for the year ended 31 December 2019

### 12 ISSUED CAPITAL AND RESERVES

#### Authorised capital

	31 Dec 2019 Number	31 Dec 2018 Number	31 Dec 2019 £	31 Dec 2018 £
Ordinary shares of £0.001 each	6,900,000	6,900,000	6,900	6,900
Convertible preferred ordinary shares of £0.001 each	13,000,000	13,000,000	13,000	13,000
B-1 convertible preferred ordinary shares of £0.001 each	3,875,969	3,875,969	3,876	3,876
C convertible preferred ordinary shares of £0.001 each	22,500,000	22,500,000	22,500	22,500
D convertible preferred ordinary shares of £0.001 each	8,571,428	8,571,428	8,571	8,571
			<u>58,847</u>	<u>58,847</u>

#### Issued capital

	31 Dec 2019 Number	31 Dec 2018 Number	31 Dec 2019 £	31 Dec 2018 £
<b>Issued and fully paid:</b>				
Ordinary shares of £0.001 each	1,557,200	1,557,200	1,557	1,557
A ordinary shares of £0.001 each	700,000	700,000	700	700
B ordinary shares of £0.001 each	450,000	450,000	450	450
C ordinary shares of £0.001 each	200,000	200,000	200	200
E ordinary shares of £0.001 each	190,000	190,000	190	190
A convertible preferred ordinary shares of £0.001 each	1,766,874	1,766,874	1,767	1,767
B convertible preferred ordinary shares of £0.001 each	10,629,340	10,629,340	10,629	10,629
B-1 convertible preferred ordinary shares of £0.001 each	3,875,969	3,875,969	3,876	3,876
C convertible preferred ordinary shares of £0.001 each	22,058,823	22,058,823	22,059	22,059
D convertible preferred ordinary shares of £0.001 each	8,571,428	8,571,428	8,571	8,571
			<u>49,999</u>	<u>49,999</u>

#### Ordinary shares

The Articles of Association allow for the sub-categorisation of the Company's ordinary shares into A, B, C, D, or E ordinary shares. These sub-classes have rights identical to the ordinary shares other than being subject to a vesting period of between 13 months and 59 months from the vesting commencement date. As at 31 December 2019 and 31 December 2018 there were no ordinary shares that had not yet vested. The shares issued subject to vesting can be repurchased by the Company at the original subscription price if the employee leaves employment prior to vesting. Although such an arrangement has the characteristics of an early-exercised share option, no compensation charge on such share arrangements has been recorded as it is immaterial over the vesting period. The unvested shares have been reflected as issued share capital in the balance sheet and not included in the share option data disclosed in Note 11.

The Company did not issue any ordinary shares during the years ended 31 December 2019 and 31 December 2018.

**Notes to the consolidated financial statements**  
for the year ended 31 December 2019

**12 ISSUED CAPITAL AND RESERVES (continued)**

The Company has reserved 3,130,000 ordinary shares (2018: 3,130,000 ordinary shares) for issue under options (see Note 10), of which 301,500 options were issued and outstanding at 31 December 2019 (31 December 2018: 301,500).

*Convertible preferred ordinary shares*

The convertible preferred ordinary shares carry the right to receive a fixed non-cumulative dividend payable semi-annually, to the extent that the Company has distributable reserves, at the rate of 7% per annum on the subscription price for the A convertible preferred ordinary shares and 8% per annum on the subscription price for the B, B-1, C and D convertible preferred ordinary shares. Each convertible preferred ordinary share can be converted to one ordinary share automatically upon the flotation or initial listing of the Company on a stock exchange. Upon a liquidation or sale of the Company where the proceeds are below the subscription price of the convertible preferred ordinary shareholders, those shares become participating shares in that the distribution of any proceeds after settling arrears of dividends will be applied firstly in returning the capital subscribed by the convertible preferred ordinary shareholders, with the balance being distributed amongst the ordinary and convertible preferred ordinary shareholders as if conversion to ordinary shares had taken place. In the event that new shares are issued for consideration less than their respective subscription prices, the B, B-1, C and D convertible preferred ordinary shareholders are entitled to a bonus issue of shares. In all other respects the ordinary and convertible preferred ordinary shares rank *pari passu*. The convertible preferred ordinary shares are classified as equity based on analysis of the terms described above.

During the financial years ended 31 December 2019 and 31 December 2018, the Company did not issue any new convertible preferred ordinary shares.

**Nature and purpose of other reserves**

'Other reserves' of £189,560 (year ended 31 December 2018: £189,560) comprises the cumulative charge for share options issued under the Company's EMI share option scheme (see Note 11).

**13 WARRANTS**

The fair value of a warrant is measured at the date of issue using the Black-Scholes pricing model, taking into account the terms and conditions upon which the warrant was granted.

As at 31 December 2019 there were 325,261 unexpired warrants to subscribe for D convertible preferred ordinary shares at a price of £1.75 per share (31 December 2018: 325,261 unexpired warrants to subscribe for D convertible preferred ordinary shares at a price of £1.75 per share).

**14 TRADE AND OTHER PAYABLES**

	31 Dec 2019	31 Dec 2018
	£	£
Trade payables	126	-
Other payables and accruals	2,445	7,231
	<u>2,571</u>	<u>7,231</u>

**Notes to the consolidated financial statements**  
for the year ended 31 December 2019

**14 TRADE AND OTHER PAYABLES (continued)**

Other payables and accruals include outstanding contributions payable to the defined contribution pension scheme of £nil (31 December 2018: £nil).

The terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are settled based upon pre-agreed credit terms, typically within 30 days from the date of the invoice
- Taxation and social security creditors and contributions payable to the defined contribution pension scheme are non-interest bearing and are due during the month following payment of the salaries to which they relate
- Other payables are non-interest bearing and primarily comprise accruals for liabilities incurred but not yet invoiced

**15 UNSECURED LOAN**

On 20 January 2012 the Company entered into an agreement for the issue of non-convertible, non-interest bearing, redeemable loan notes ('Loan Notes') up to a value of £6,000,000 to its existing investors ('First Tranche Loan Notes'). The First Tranche Loan Notes are repayable at a premium ranging between 300% to 500% of the principal value upon the earlier of a sale of the Company or 20 January 2014. The full £6,000,000 in value of First Tranche Loan Notes was issued during 2012. On 15 August 2012 the loan note agreement was extended to allow an additional £2,000,000 of Loan Notes to be issued ('Second Tranche Loan Notes'). The Second Tranche Loan Notes are senior to the First Tranche Loan Notes and are repayable at a premium of 500% of the principal value upon the earlier of a sale of the Company or 20 January 2014.

On 28 November 2014 the Loan Note holders agreed to extend the repayment date to 20 January 2016.

During the year ended 31 December 2015, accretion of the loan to the repayment amount of £32,090,000 less amounts repaid during the year of £12,147,551 continued on a straight-line basis to the repayment date of 20 January 2016.

During the year ended 31 December 2016 the Loan Note holders agreed to extend the repayment date to 20 January 2018 with no change to the repayment amount and the loan was accreted to the full repayment amount of £19,575,523.

During the year ended 31 December 2018 the loan note holders agreed to extend the repayment date of the unsecured loan from 19 January 2018 to 19 January 2021.

Movements in the unsecured loan during the year were as follows:

	31 Dec 2019 £	31 Dec 2018 £
Unsecured loan at beginning of period	19,467,450	19,467,450
Repayment of loan	-	-
Unsecured loan at end of period	<u>19,467,450</u>	<u>19,467,450</u>

**16 OTHER FINANCIAL COMMITMENTS**

*Lease commitments*

The Company did not have any leasing arrangements at 31 December 2019 or 31 December 2018.

*Capital commitments*

Contracted for capital commitments as at 31 December 2019 amounted to £nil (31 December 2018: £nil).

## Notes to the consolidated financial statements

for the year ended 31 December 2019

### 17 RELATED PARTY TRANSACTION DISCLOSURES

Funds managed by Abingworth Management Limited ("Abingworth") held shares in the Company and unsecured loan notes as at 31 December 2019. T J Haines is a director of Abingworth and has a financial interest in Abingworth's funds.

Compensation of key management personnel of the Company is detailed in Note 6. Director's interests in employee share option schemes are detailed in the Directors' Report.

### 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

In line with similar companies in the biotechnology sector, the Company derives long-term financing through the sale of technologies, the issue of new equity and loan financing. The Company's principal financial instruments other than its unsecured loan notes comprise trade payables and trade receivables which arise directly from its operations and are not designed as a means of raising finance for the Company's operations and available-for-sale investments received as consideration for the sale of technologies. The Company has various financial assets such as receivables and cash and short-term deposits, which arise directly from its operations. The Company does not consider that its financial instruments gave rise to any material financial risks during the financial years ended 31 December 2019 and 31 December 2018. An overview of areas of potential risk are summarised below.

#### *Interest rate risk*

The Company's exposure to the risk of changes in market interest rates relates primarily to its finance income from its cash at bank and short-term deposits (see Note 10). The Company's cash and short-term deposits are largely sterling denominated; interest earned is therefore influenced by the Bank of England base interest rates and will depend on the remaining duration of any fixed-rate treasury deposits placed at the time of any rate change and the average cash and cash equivalents for the remainder of the financial year following the change. The interest rate profile of the Company's financial assets and liabilities is as follows:

	31 Dec 2019			31 Dec 2018		
	Floating	Fixed	Total	Floating	Fixed	Total
	£	£	£	£	£	£
Cash and short term deposits	113,088	-	113,088	129,790	-	129,790

Unsecured loan notes outstanding at 31 December 2019 have a fixed repayment amount of £19,467,450 (31 December 2018: £19,467,450) including the redemption premium which is treated as finance over the period of the loan.

#### *Foreign currency risk*

The Company does not have any overseas operations and therefore does not have any exposure to the retranslation of the assets and liabilities of overseas operations. The Company does not envisage that it will require any hedging arrangements in future given the limited nature of its operations.

The Company did not have any foreign currency denominated monetary assets and liabilities as at 31 December 2019 or 31 December 2018.

#### *Credit risk*

The Company did not have any revenues during the financial years ended 31 December 2019 and 31 December 2018; consequently the Company did not have any exposure to trade credit risk during this financial year. With respect to credit risk arising from the other financial assets of the Company, which primarily comprise cash and short-term deposits, the exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these investments. The Company has in place investment guidelines outlining authorised counterparties in order to minimise such risk.



**Notes to the consolidated financial statements**  
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**18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY (continued)**

*Liquidity risk*

The Company monitors its funding requirements through preparation of short-term, mid-term and long-term forecasts. All short-term deposits are immediately convertible to liquid funds without penalty and are recorded in the balance sheet at their open market value. Please refer to Note 2 "Going Concern" regarding the Directors' assessment of liquidity for further information.

*Capital management*

In line with similar companies in the biotechnology sector at a similar stage of development, the Company is loss-making and does not have any significant trading revenues. Reflecting this, the Company funds its operations through a combination of equity issuance to and unsecured loan financing from its equity investors, secured venture loan financing, and government grants and also through funds generated by technology or product licensing activities. In light of its ongoing funding requirements, the Company does not have a policy of paying dividends to shareholders except for potential payments to holders of the Company's convertible preferred ordinary shares as permitted in its Articles of Association (Note 12).