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**DNAE ONCOLOGY LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**DNAE ONCOLOGY LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	K H Tan C Toumazou
<b>Registered number</b>	09758933
<b>Registered office</b>	Ugli Campus Block C 56 Wood Lane London W12 7SB
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Seacourt Tower Botley Oxford Oxfordshire OX2 0JJ

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## DNAE ONCOLOGY LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present their report and the financial statements for the year ended 31 December 2019.

#### Results and dividends

The loss for the year, after taxation, amounted to £164,065 (2018 - loss £2,305,750).

#### Directors

The directors who served during the year were:

K H Tan  
C Toumazou

#### Going concern basis

The directors have adopted the going concern basis in preparing the financial statements. In assessing whether the going concern assumption is appropriate, the directors have taken into account all relevant available information about the future.

As part of the assessment, management have received confirmation from the parent company, DNAe Group Holdings Limited, that they will continue to support the company for at least the next twelve months from the date of approval of these financial statements. Management of DNAe Group Holdings Limited have prepared forecasts to 31 December 2021 on a group basis, which include forecasts for the company, and the effect of Covid 19 and the necessity to manage operations along Government guidelines going forward.

DNAe Group Holdings Limited and its subsidiaries, including DNAe Oncology Limited, is currently in the development phase of its business lifecycle and as is common with many research and development businesses, requires significant investment to fund its ongoing development. As with any business in the development phase, the expected timing of achievement of development milestones is difficult to predict and thereby preparing reliable forecasts is inherently uncertain.

At 31 December 2019 the Group headed by DNAe Group Holdings Limited had consolidated net liabilities of £111m and had made a consolidated loss of £35m for the year, due to on-going expenditure on research and development. DNAe Group Holdings Limited's activities have been funded to date in 2020 through cashflows under the Barda contract, royalty revenues and further loans from its majority shareholder and ultimate parent, Genting Berhad, a listed Malaysian company. Following a review of milestones achieved during the second stage the contract with Barda, Barda confirmed in June 2020 funding for the third stage making \$13.9m available to the Group. In addition, although discussions with potential strategic partners and investors were paused during Q2 2020 due to Covid-19, it is the intention of management of DNAe Group Holdings Limited to re-engage with these relationships and broaden the fundraising activities from Q4 2020. Given the track record the Group has of raising funds and its continuing efforts to develop relationships with potential strategic partners and investors, management are confident that the fundraising will be successful.

The Group headed by DNAe Group Holdings Limited has £122m of loans due to DNAe Group Holdings Limited's direct parent company, Edith Grove Limited, and associated company, Dragasac Limited, which are due for repayment over the next 12 months. It is the expectation of the parent company's directors' that either the repayment date will be extended, refinanced or repaid from proceeds of new investment. However, nothing has been agreed as at the date of approval of the financial statements.

In the absence of sufficient new investment being raised by the parent company over the next 12 months, the Group is reliant on funding from the ultimate parent company Genting Berhad. As part of their going concern assessment, management of DNAe Group Holdings Limited have obtained a letter of financial support. However, as in prior years, this does not cover the period of 12 months from date of approval of these financial statements. As at the date of approval of these financial statements the directors of the parent company have no reason to believe Genting Berhad will not continue to provide financial support as required for 12 months, however there can be no certainty that the financial support will continue.

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**DNAE ONCOLOGY LIMITED**

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## **DNAE ONCOLOGY LIMITED**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **Directors' responsibilities statement**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Disclosure of information to auditor**

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

#### **Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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## **DNAE ONCOLOGY LIMITED**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate financial resources to continue its operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Post balance sheet events**

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

COVID-19 resulted in the Group's offices in London and Carlsbad being closed for a period of time. In both locations staff worked from home whenever possible. The offices in Carlsbad have since reopened based on strict social distancing rules being applied resulting in staff partly working from home and partly from the Group's premises. London staff will work from home and in rented lab space until the move to the new premises at Scale Space is completed.

The directors have determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the company for future periods.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE ONCOLOGY LIMITED

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### Opinion

We have audited the financial statements of DNAe Oncology Limited (the 'company') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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**DNAE ONCOLOGY LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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This report was approved by the board on 14/12/2020 and signed on its behalf.

**C Toumazou**  
Director





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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE ONCOLOGY LIMITED (CONTINUED)

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### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors for the financial statements**

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE ONCOLOGY LIMITED (CONTINUED)

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### Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements. For the year ended 31 December the company incurred a loss of £164,065 and as of that date the company's current liabilities exceeded its total assets by £4,776,936. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

## DNAE ONCOLOGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Administrative expenses		(30,371)	(2,197,488)
<b>Operating loss</b>	4	<b>(30,371)</b>	<b>(2,197,488)</b>
Interest payable and expenses	6	(224,708)	(172,655)
<b>Loss before tax</b>		<b>(255,079)</b>	<b>(2,370,143)</b>
Tax on loss	7	91,014	64,393
<b>Loss for the financial year</b>		<b>(164,065)</b>	<b>(2,305,750)</b>
<b>Total comprehensive income for the year</b>		<b>(164,065)</b>	<b>(2,305,750)</b>

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 12 to 22 form part of these financial statements.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DNAE ONCOLOGY LIMITED (CONTINUED)

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### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

Pinkesh Patel  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Oxford  
Date: 14/12/2020

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**DNAE ONCOLOGY LIMITED**


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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2019	100	(4,612,971)	(4,612,871)
<b>Comprehensive income for the year</b>			
Loss for the year	-	(164,065)	(164,065)
<b>Total comprehensive income for the year</b>	-	(164,065)	(164,065)
<b>At 31 December 2019</b>	<b>100</b>	<b>(4,777,036)</b>	<b>(4,776,936)</b>

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**


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	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2018	100	(2,307,221)	(2,307,121)
<b>Comprehensive income for the year</b>			
Loss for the year	-	(2,305,750)	(2,305,750)
<b>Total comprehensive income for the year</b>	-	(2,305,750)	(2,305,750)
<b>At 31 December 2018</b>	<b>100</b>	<b>(4,612,971)</b>	<b>(4,612,871)</b>

The notes on pages 12 to 22 form part of these financial statements.

**DNAE ONCOLOGY LIMITED**  
**REGISTERED NUMBER:09758933**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	8	-	30,372
		<u>-</u>	<u>30,372</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	163,640	96,823
		<u>163,640</u>	<u>96,823</u>
Creditors: amounts falling due within one year	10	(4,940,576)	(4,740,066)
<b>Net current liabilities</b>		<u>(4,776,936)</u>	<u>(4,643,243)</u>
<b>Total assets less current liabilities</b>		<u>(4,776,936)</u>	<u>(4,612,871)</u>
<b>Net liabilities</b>		<u>(4,776,936)</u>	<u>(4,612,871)</u>
<b>Capital and reserves</b>			
Called up share capital	11	100	100
Profit and loss account	12	(4,777,036)	(4,612,971)
		<u>(4,776,936)</u>	<u>(4,612,871)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14/12/2020

**C Toumazou**  
Director

The notes on pages 12 to 22 form part of these financial statements.

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## DNAE ONCOLOGY LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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## 2. Accounting policies (continued)

### 2.3 Going concern

The directors have adopted the going concern basis in preparing the financial statements. In assessing whether the going concern assumption is appropriate, the directors have taken into account all relevant available information about the future.

As part of the assessment, management have received confirmation from the parent company, DNAe Group Holdings Limited, that they it will continue to support the company for at least the next twelve months from the date of approval of these financial statements. Management of DNAe Group Holdings Limited have prepared forecasts to 31 December 2021 on a group basis, which include forecasts for the company, and the effect of Covid 19 and the necessity to manage operations along Government guidelines going forward.

DNAe Group Holdings Limited and its subsidiaries, including DNAe Oncology Limited, is currently in the development phase of its business lifecycle and as is common with many research and development businesses, requires significant investment to fund its ongoing development. As with any business in the development phase, the expected timing of achievement of development milestones is difficult to predict and thereby preparing reliable forecasts is inherently uncertain.

At 31 December 2019 the Group headed by DNAe Group Holdings Limited had consolidated net liabilities of £111m and had made a consolidated loss of £35m for the year, due to on-going expenditure on research and development. DNAe Group Holdings Limited's activities have been funded to date in 2020 through cashflows under the Barda contract, royalty revenues and further loans from its majority shareholder and ultimate parent, Genting Berhad, a listed Malaysian company. Following a review of milestones achieved during the second stage the contract with Barda, Barda confirmed in June 2020 funding for the third stage making \$13.9m available to the Group. In addition, although discussions with potential strategic partners and investors were paused during Q2 2020 due to Covid-19, it is the intention of management of DNAe Group Holdings Limited to re-engage with these relationships and broaden the fundraising activities from Q4 2020. Given the track record the Group has of raising funds and its continuing efforts to develop relationships with potential strategic partners and investors, management are confident that the fundraising will be successful.

The Group headed by DNAe Group Holdings Limited has £122m of loans due to DNAe Group Holdings Limited's direct parent company, Edith Grove Limited, and associated company, Dragasac Limited, which are due for repayment over the next 12 months. It is the expectation of the parent company's directors' that either the repayment date will be extended, refinanced or repaid from proceeds of new investment. However, nothing has been agreed as at the date of approval of the financial statements.

In the absence of sufficient new investment being raised by the parent company over the next 12 months, the Group is reliant on funding from the ultimate parent company Genting Berhad. As part of their going concern assessment, management of DNAe Group Holdings Limited have obtained a letter of financial support. However, as in prior years, this does not cover the period of 12 months from date of approval of these financial statements. As at the date of approval of these financial statements the directors of the parent company have no reason to believe Genting Berhad will not continue to provide financial support as required for 12 months, however there can be no certainty that the financial support will continue.

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. General information**

DNAe Oncology Limited is a limited liability company incorporated in England and Wales. The registered office address is Ugli Campus Block C, 56 Wood Lane, London, W12 7SB.

The company was incorporated on 2 September 2015. The principal activity of the company is research and development on biotechnology.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial reporting standard 101 - reduced disclosure exemptions**

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group
- Presentation of comparative reconciliations for property, plan and equipment
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Disclosures in respect of financial instruments



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**DNAE ONCOLOGY LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**2. Accounting policies (continued)**
**2.7 Financial instruments**

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

**Fair value through profit or loss**

All of the company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

**Impairment of financial assets**

The company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

**Financial liabilities**
**Fair value through profit or loss**

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

**At amortised cost**

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.3 Going concern (continued)**

financial resources to continue its operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

**2.4 Tangible fixed assets**

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

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

Depreciation is provided on the following basis:

Lab equipment	- 3 years straight line
Office equipment	- 3 years straight line

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

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

**2.5 Research and development costs**

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Costs that are directly attributable to the development phase of new customised technologies are recognised as intangible assets provided they meet the following recognition requirements:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the company intends to complete the intangible asset and use or sell it;
- the company has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

**2.6 Debtors**

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

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**DNAE ONCOLOGY LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**


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**2. Accounting policies (continued)****2.11 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

**Development costs**

Management consider whether any development costs meet the criteria for capitalisation as intangible assets and make judgements as part of this process.

**4. Operating loss**

The operating loss is stated after charging:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Research & development charged as an expense	-	1,124,533
Depreciation of tangible fixed assets	<b>30,372</b>	<b>44,557</b>
	<u><u>30,372</u></u>	<u><u>44,557</u></u>

The audit fee was borne by the parent company.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.7 Financial instruments (continued)**

financial liability.

**2.8 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.9 Foreign currency translation**

**Functional and presentation currency**

The company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

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

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

**2.10 Finance costs**

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

## DNAE ONCOLOGY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**7. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(255,079)</u>	<u>(2,370,143)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(48,465)	(450,327)
<b>Effects of:</b>		
Deferred tax not recognised	5,163	373,573
Adjustment closing deferred tax to average rate of 19%	85,290	86,929
Adjustment opening deferred tax to average rate of 19%	(84,682)	(42,980)
Research and development tax credits	(91,014)	(72,625)
Adjustments in respect of prior periods	-	8,233
Expense not deductible for tax purposes	42,694	32,804
<b>Total tax charge for the year</b>	<u><u>(91,014)</u></u>	<u><u>(64,393)</u></u>

**Factors that may affect future tax charges**

In the Spring Budget 2020, The Government announced that from 1st April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17th March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

The Company has tax losses of £4.3m (2018: £4.1m) and fixed asset differences of £0.1m (2018: £0.1m) for which no deferred tax asset has been recognised due to uncertainty over future recoverability. The unrecognised deferred tax asset is £0.7m (2018: £0.7m).

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**DNAE ONCOLOGY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**5. Employees**

The company has no employees other than the directors, who did not receive any remuneration (2018 - £NIL).

The directors are remunerated through DNAe Group Holdings Limited.

**6. Interest payable and similar expenses**

	2019 £	2018 £
Loans from group undertakings	<u>224,708</u>	<u>172,655</u>

**7. Taxation**

	2019 £	2018 £
<b>Corporation tax</b>		
Research and development tax credit	(91,014)	(72,626)
Adjustments in respect of previous periods	-	8,233
<b>Total current tax</b>	<u>(91,014)</u>	<u>(64,393)</u>
<b>Taxation on loss on ordinary activities</b>	<u>(91,014)</u>	<u>(64,393)</u>

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**DNAE ONCOLOGY LIMITED**


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FOR THE YEAR ENDED 31 DECEMBER 2019**


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**9. Debtors**

	2019 £	2018 £
Other taxation and social security	-	24,197
Research and development tax credit receivable	163,640	72,626
	<u>163,640</u>	<u>96,823</u>

**10. Creditors: Amounts falling due within one year**

	2019 £	2018 £
Amounts owed to group undertakings	<u>4,940,576</u>	<u>4,740,066</u>

The amounts above are due on demand and attract an interest rate of 5%.

**11. Share capital**

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
100 (2018 - 100) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

**12. Reserves****Profit and loss account**

Includes all current year retained losses.

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**DNAE ONCOLOGY LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**8. Tangible fixed assets**

	Lab equipment £	Office equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2019	133,320	105	133,425
At 31 December 2019	<u>133,320</u>	<u>105</u>	<u>133,425</u>
<b>Depreciation</b>			
At 1 January 2019	102,979	74	103,053
Charge for the year on owned assets	30,341	31	30,372
At 31 December 2019	<u>133,320</u>	<u>105</u>	<u>133,425</u>
<b>Net book value</b>			
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u>30,341</u>	<u>31</u>	<u>30,372</u>



**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Post balance sheet events**

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

COVID-19 resulted in the Group's offices in London and Carlsbad being closed for a period of time. In both locations staff worked from home whenever possible. The offices in Carlsbad have since reopened based on strict social distancing rules being applied resulting in staff partly working from home and partly from the Group's premises. London staff will work from home and in rented lab space until the move to the new premises at Scale Space is completed.

The directors have determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group and the company for future periods.

**14. Controlling party**

The directors consider that the ultimate controlling party is Genting Berhad, a listed Malaysian group, due to that company's indirect interest in the preference shares of immediate parent company, DNAe Group Holdings Limited, outstanding at the year end.