

MacroTarg Limited
Report and financial statements

Year ended 31 December 2018



Company information

Company number	6347934 (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 2018

The directors present their report and financial statements for MacroTarg Ltd (the "Company"; registered number 6347934) for the year ended 31 December 2018.

Principal activities and review of the business

The principal activity of the Company is the research and development of novel therapeutic agents for the treatment of inflammatory disorders. The Company does not employ any staff, nor does it have any physical assets or premises and does not contract with any third parties directly for services provided. The Company's parent, Chroma Therapeutics Limited ("Chroma" or the "Parent") provides the company with certain research and development and administrative services ("Services"). Chroma invoices the Company for the Services on a monthly basis through an intercompany loan account and charges the Company interest based upon the outstanding loan balance. Terms of the intercompany loan are detailed in Note 9.

At the date of this report, the Parent operates virtually with no ongoing operations, employees or research responsibilities. The Company retains the rights to receive milestones and royalties from certain technology programs divested to the following companies, who are responsible for all ongoing research and development activity, cost and decision-making:

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

During the year, GSK discontinued development of CHR-5154. As a consequence, the Company recognised an impairment charge for the intangible asset relating to this programme, as detailed in Note 7 to the financial statements.

General business review – 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 years ended 31 December 2018 or 31 December 2017.

There was no expenditure on research and development expenditure other than amortisation and impairment of intangible assets nor any associated apportioned administrative expenses during the year ended 31 December 2018.

General business review – balance sheet

The balance sheet has total assets amounting to £nil (31 December 2017: £569,473).

Assets

The reduction in assets reflects the accelerated amortisation of intangible assets related to the Company's ESM technology for the year (see Note 7).

Liabilities

The small increase in total liabilities reflects interest charged on the intercompany loan during the year.

Assets and liabilities are in line with the Company's expectations.

General business review – cashflow statement

Reflecting the virtual nature of the Company it does not hold any cash balances.

Analysis of financial key performance indicators

The Company measures its performance based upon the achievement of key milestones by the two 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 investor base of the Company's parent, 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 Group'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

Until it has sustainable revenues from marketed products, the Company is highly dependent upon the support of its parent company.

On behalf of the Board



R E Bungay
Director

Directors' report

for the year ended 31 December 2018

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 and the availability of future funding.

The Company currently has limited operations and expects to receive income from its collaborations with GSK and CRTPF in the future. The validity of the going concern assumption depends on the continued financial support of the Company's parent, Chroma Therapeutics Ltd ("Chroma"). As disclosed in Note 9, Chroma does not have the right to request repayment of the intercompany loan account for so long as the Company remains a wholly-owned subsidiary. Chroma has also confirmed that it intends to continue to provide funding to the Company. Based on current financial forecasts, the Group has adequate funds to run its envisaged operations for the 12-month period from the date of these financial statements.

As a consequence, the directors believe it is appropriate to continue to prepare its financial statements on a going concern basis. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

The Directors noted the uncertainties described in Chroma's statutory accounts regarding the future repayment of the unsecured loan notes by the amended contractual repayment date of 19 January 2021. 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 Group 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.

Future developments

Reflecting the Parent's and the Company's efforts to restructure their operations to become virtual companies with minimal cash burn the Company expects minimal expenditures in 2019.

Results and dividends

The Company made a loss for the year of £599,688 (year ended 31 December 2019: loss of £90,990). The directors do not recommend the payment of a dividend. There was no expenditure on tangible fixed assets during the year.

Financial risk management

In light of the Company's relationship with the Parent it does not have any material exposure to other external financial risks than as described in the Going Concern section above.

Directors and their interests

The directors who held office during the year and to the date of this report were as follows:

R E Bungay
T J Haines

No directors held any interest in the share capital of the Company. Directors' interests in the share capital of the Parent are detailed in the financial statements of that company.

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.

Charitable and political donations

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

Payment of creditors

As noted above, the Company does not have any direct relationship with suppliers.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements

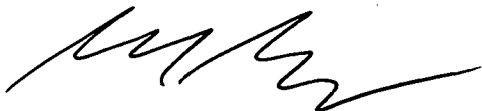
Company Law requires that the directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable United Kingdom law and have elected to prepare financial statements in accordance with those International Financial Reporting Standards as adopted 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 IAS 8: 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 requirement 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 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.

This report was approved by the Board on 17 April 2019 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 2018

	Note	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Revenue		-	-
Research and development costs		(569,473)	(64,955)
Administrative expenses		-	-
Operating loss		(569,473)	(64,955)
Finance expense	9	(30,215)	(26,035)
Loss before taxation		(599,688)	(90,990)
Taxation	6	-	-
Total comprehensive expense for the year		(599,688)	(90,990)

Balance sheet
as at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
ASSETS			
Non-current assets			
Intangible assets	7	-	569,473
TOTAL ASSETS		-	569,473
EQUITY AND LIABILITIES			
Equity			
Issued capital	8	50,000	50,000
Share premium		4,950,002	4,950,002
Accumulated losses		(6,205,523)	(5,605,835)
Total equity		(1,205,521)	(605,833)
Non-current liabilities			
Amount due to parent company	9	1,205,521	1,175,306
		1,205,521	1,175,306
TOTAL EQUITY AND LIABILITIES		-	569,473

For the year ending 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. 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 17 April 2019 and signed on its behalf by



R E Bungay
Director

Company number: 6347934 (England & Wales)

Statement of changes in equity
for the year ended 31 December 2018

	Issued capital £	Share premium £	Accumulated losses £	Total equity £
At 1 January 2017	50,000	4,950,002	(5,514,845)	(514,843)
Total comprehensive expense for the year	-	-	(90,990)	(90,990)
At 31 December 2017	50,000	4,950,002	(5,605,835)	(605,833)
Total comprehensive expense for the year	-	-	(599,688)	(599,688)
At 31 December 2018	50,000	4,950,002	(6,205,523)	(1,205,521)

Cashflow statement

for the year ended 31 December 2018

	Year ended 31 Dec 2018 £	Year ended 31 Dec 2017 £
Cash flows from operating activities		
Loss before financing items	(599,688)	(90,990)
Adjustments to reconcile profit before financing items to net cash flows from operating activities:		
Non-cash items		
• Amortisation of intangible assets	569,473	64,955
Working capital adjustments		
• Increase in payables	30,215	26,035
Net cash flows used in operating activities	-	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at start of period	-	-
Cash and cash equivalents at end of period	-	-

Notes to the financial statements

for the year ended 31 December 2018

1 CORPORATE INFORMATION

The financial statements of MacroTarg Limited for the year ended 31 December 2018 ("financial statements") were authorised for issue in accordance with a resolution of the directors on 17 April 2019. MacroTarg 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, are presented in sterling and all values have been 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 and the availability of funding for that period.

The Company does not currently have any operations and expects to receive income from its collaborations with GSK and CRTPF in the future. The validity of the going concern assumption depends on the continued financial support of Chroma. As disclosed in Note 9, Chroma does not have the right to request repayment of the intercompany loan account for so long as the Company remains a wholly-owned subsidiary. Chroma has also confirmed that it intends to continue to provide funding to the Company for at least twelve months from the date of signing this report. As a consequence, the directors believe it is appropriate to continue to prepare its financial statements on a going concern basis.

The Directors noted the uncertainties described in Chroma's statutory accounts regarding the future repayment of the unsecured loan notes by the amended contractual repayment date of 19 January 2021. 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 Group 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.

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 financial statements have been prepared in accordance with IFRS and the Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and with 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 2018:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 22 *Foreign Currency Transactions and Advance Consideration*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (Amendments to IFRS 4)
- IAS40 *Investment Property* Amendments to clarify transfers or property to, or from, investment property
- Amendments resulting from Annual Improvements 2014–2016 Cycle

Notes to the financial statements

for the year ended 31 December 2018

2 BASIS OF PREPARATION (continued)

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 2018 financial statements but are not yet effective and have not been applied in the Company's 2018 financial statements:

- IFRS 3 *Business Combinations* amendments to clarify the definition of a business effective 1 January 2020
- IFRS 9 *Financial Instruments* amendments regarding prepayment features with negative compensation and modifications of financial liabilities effective 1 January 2019
- IFRS 16 *Leases* effective 1 January 2019
- 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 8 *Accounting Policies, Changes in Accounting Estimates and Errors* amendments regarding the definition of material effective 1 January 2020
- IAS19 *Employee Benefits* Amendments regarding plan amendments, curtailments or settlements effective 1 January 2019
- IAS28 *Investments in Associates and Joint Ventures* Amendments regarding long-term interests in associates and joint ventures effective 1 January 2019
- Amendments resulting from Annual Improvements 2015–2017 Cycle effective 1 January 2019

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is expensed as incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and are assessed for impairment whenever there is indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Notes to the financial statements

for the year ended 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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 final human clinical studies required to complete a registration package 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.

Likewise, the Company may from time to time acquire rights to use the intellectual property of a third party in the conduct of its research and development programmes. The ability to generate future economic benefits from such rights is subject to either the generation of income from licensing to third parties rights to use the intellectual property, or the successful registration of the programmes using such intellectual property. Consequently, intangible assets arising from acquired intellectual property rights are subject to the same capitalisation and amortisation criteria as internal development costs, as noted above. Any such assets recognised in the balance sheet are not amortised until the assets are available for use, being the time at which approved products using the assets can be marketed or other revenues, such as income from licensing deals, can be generated from the assets. Once intangible assets are available for use, they are amortised on a straight-line basis over the period that they are able to generate revenues. Annual impairment reviews are performed until such time as amortisation of the assets commences.

Impairment of assets

The Company assesses at the end of each 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 asset's 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 comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each 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 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.

Notes to the financial statements

for the year ended 31 December 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Current tax

Current tax assets 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 the 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.

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 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 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 inflammatory disorders.

4 EXPENSES

(a) Fees paid to auditors

Fees paid to the auditors for audit services, taxation services and other accounting services are settled by, and recorded in the accounts of the Parent as part of the intercompany service agreements.

(b) Employee Benefits Expense

As noted in the directors' report, the Parent acts as an agent in procuring R&D services for the Company and provides R&D and administrative services on a cost plus basis. Accordingly, the company does not have any employees.

Notes to the financial statements
for the year ended 31 December 2018

5 DIRECTORS' REMUNERATION

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
Total emoluments	-	-
Employers contributions paid to money purchase pension schemes	-	-

As at 31 December 2018, no directors (31 December 2017: no directors) were accruing benefits under defined contribution pension schemes. The directors' emoluments have been borne by the Parent. These directors are also directors of the Parent. These directors' services to the Company do not occupy a significant amount of their time. As such these directors do not consider that they have received any remuneration for their incidental services to the Company for the years ended 31 December 2018 and 31 December 2017.

6 TAXATION

(a) Current income tax

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
UK corporation tax	-	-
	-	-

(b) Factors affecting the tax charge for the period

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

	Year ended 31 Dec 2018	Year ended 31 Dec 2017
	£	£
Loss before tax	(599,688)	(90,990)
Loss before tax multiplied by effective standard rate of corporation tax in the UK of 19% (year ended 31 December 2017: 19.25%)	(113,941)	(17,516)
Effect of:		
Disallowed expenses and non-taxable income	108,200	12,504
Enhanced deduction – R&D relief		
Unrelieved tax losses	5,741	5,012
Taxation charge for the period	-	-

The standard rate of UK corporation tax was reduced from 20% to 19% with effect from 1 April 2017, giving rise to an effective rate of tax for the year ended 31 December 2017 of 19.25%. The standard rate of UK corporation tax for the year ended 31 December 2018 was 19%.

Notes to the financial statements
for the year ended 31 December 2018

6 TAXATION (continued)

(c) Deferred income tax

The deferred tax asset, calculated at a rate of UK corporation tax of 17% (31 December 2017: 17%), not recognised in the financial statements is as follows:

	31 Dec 2018 £	31 Dec 2017 £
Tax losses available	1,111,631	1,101,358

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

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.

7 INTANGIBLE ASSETS

	31 Dec 2018 £	31 Dec 2017 £
Cost:		
At beginning of period	5,000,000	5,000,000
At end of period	5,000,000	5,000,000
Amortisation:		
At beginning of period	4,430,527	4,365,572
Impairment charge for the period	569,473	-
Amortisation charge for the period	-	64,955
At end of period	5,000,000	4,430,527
Net book value:		
At beginning of period	569,473	634,428
At end of period	-	569,473

On 1 January 2008 the Company's parent, Chroma Therapeutics Ltd, assigned to it certain intellectual property rights. The Company subsequently licensed back to Chroma rights to use certain elements of these intellectual property rights. The net transfer of intellectual property rights to the Company was valued at £5 million, which was satisfied by the issue of 5 million ordinary shares of the Company to Chroma at a value of £1 per share. As at 31 December 2008, the Company capitalised the intellectual property as an intangible asset in contemplation of future licensing arrangements in respect of the intellectual property rights. The Company assessed the intangible asset as having a finite life with the intent of amortising the asset over the life of the expected licensing arrangements.

During the year ended 31 December 2009, the Company and its parent entered into a collaboration agreement with GlaxoSmithKline, subsequently restructured in December 2013, under which the Group will receive downstream payments upon certain pre-determined milestones being achieved with the compounds developed under this agreement. Reflecting this licensing arrangement, the intangible asset was considered to become available for use and was consequently being amortised on a straight-line basis from 2009 onwards over the period that it is expected to generate revenues. During the year ended 31 December 2018, GSK informed the Company that it had discontinued development of CHR-5154, giving rise to an impairment charge for the year of £569,473, reflecting the unlikelihood of this programme generating future revenues for the Company.

Notes to the financial statements
for the year ended 31 December 2018

8 ISSUED CAPITAL AND RESERVES

Authorised capital

	31 Dec 2018 Number	31 Dec 2017 Number	31 Dec 2018 £	31 Dec 2017 £
Ordinary shares of £0.01 each	7,000,000	7,000,000	70,000	70,000
			<u>70,000</u>	<u>70,000</u>

Issued capital

	31 Dec 2018 Number	31 Dec 2017 Number	31 Dec 2018 £	31 Dec 2017 £
Issued and fully paid:				
Ordinary shares of £0.01 each	5,000,200	5,000,200	50,000	50,000
			<u>50,000</u>	<u>50,000</u>

On 1 January 2008, the Company issued 5,000,000 ordinary shares to its parent company, Chroma Therapeutics Ltd, in consideration for the rights detailed in Note 7. The fair value of shares issued was estimated to be £1.00 per share based on an independent valuation.

9 TRADE AND OTHER PAYABLES

	31 Dec 2018 £	31 Dec 2017 £
Amounts due to parent company	1,205,521	1,175,306
	<u>1,205,521</u>	<u>1,175,306</u>

The amount due to the parent company represents a loan account with the Company's parent company, Chroma Therapeutics Ltd. The loan carries interest on the average balance outstanding each month at 2% above the base lending rate of Barclays Bank plc. Chroma does not have a right to recall the loan except in the event that the Company ceases to be a wholly-owned subsidiary of Chroma, in which case the Company has the right to request repayment of the loan on 90 days' notice. Interest payable on the loan for the year ended 31 December 2018 amounted to £30,215 (year ended 31 December 2017: £26,035). The fair value of the amount payable to parent company is deemed equivalent to its carrying value.

10 RELATED PARTY DISCLOSURES

Funds managed by Abingworth Management Limited ("Abingworth") held shares in the parent company, Chroma Therapeutics Ltd, as at 31 December 2018. 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 5. Director's interests in the Company's share capital are detailed in the Directors' Report.

11 PARENT COMPANY

The immediate parent company and controlling party of MacroTarg Limited is Chroma Therapeutics Ltd, a company registered in England & Wales. Copies of those accounts may be obtained from the Registrar of Companies, Crown Way, Cardiff CF14 3UZ.