Evgen Pharma plc
Annual Report & Accounts **2017**



# REALISING THE CLINICAL POTENTIAL OF SULFORAPHANE

Our pipeline is based on our proprietary Sulforadex® technology, and includes a number of synthetic, stabilised analogues of the naturally occurring compound sulforaphane. Many peer-reviewed scientific papers have identified the medical potential of sulforaphane in multiple indications. Our objective is to use our Sulforadex® technology to turn this scientific promise into commercially successful products, addressing important clinical needs.

# CHAIRMAN'S STATEMENT

**OVERVIEW**
Evgen Pharma has had another year of strong progress in the development of our lead product, SFX-01. We commenced dosing in two clinical trials, which have the potential to provide significant value inflexion points.

In oncology, we started a 60 patient open label study in metastatic breast cancer, which is currently recruiting in the UK and Belgium. This follows promising data from our long-standing collaboration with the Cancer Research UK Manchester Institute, showing a reduction in cancer stem cells in patient-derived breast cancer tissue in xenograft models.

In neurology, we started a randomised, double blind, placebo controlled study, which is recruiting 90 patients in subarachnoid haemorrhage ("SAH") at two UK centres. Positive interim safety reviews from the independent Data Safety Monitoring Board confirm, thus far, the safety of SFX-01.

In an encouraging development, our commercialisation opportunity increased with the granting of orphan drug designation for SFX-01 in SAH by the US Food & Drug Administration ("FDA") in August 2016.

At a preclinical level, we released data at the 32nd Congress of the European Committee and Research in Multiple Sclerosis from a study on SFX-01 versus BG-12 (Biogen's Tecfidera®) in various in vivo models of RR-MS (relapsing remitting multiple sclerosis). This data showed that SFX-01 appeared to be superior to Tecfidera® in a relevant multiple sclerosis model enabling superior neurological recovery in the chronic stage post-relapse.

In December, we also presented our promising preclinical breast cancer data at the 2016 San Antonio Breast Cancer Symposium.

During the year our partners at the University of Seville, the Spanish National Research Council (CSIC) and the University of Liverpool started a programme to synthesise and screen a series of novel, proprietary, sulforaphane analogues. All compounds have now been synthesised in Spain and the screening is underway in the UK.

Towards the year end our intellectual property (IP) position in connection with sulforaphane was reinforced with the grant of two US patents associated with the manufacturing of SFX-01. These add a further layer of protection to the granted US patent relating to composition of the active pharmaceutical ingredient. As detailed in this Annual Report, a number of patents have now been granted in other territories or have received Notification of Allowance.

Finally, we were very pleased to pass through an MHRA Good Clinical Practice inspection in March 2017 which was a major endorsement of the Company's transition into a clinical stage company.

We remain very positive over the prospects for the Group as we progress our two principal Phase II trials and work on additional applications of SFX-01.

**Barry Clare**
Chairman

12 June 2017

# STRATEGIC REPORT

*The Directors present their Strategic Report for the year ended 31 March 2017. The Operational Review, Key Performance Indicators and Principal Risks and Uncertainties sections form part of the Strategic Report.*

**OPERATIONAL OVERVIEW**

*BACKGROUND*

The Evgen Pharma business opportunity is built around a naturally occurring compound called sulforaphane, a compound first isolated from the brassica family of plants.

Sulforaphane has attracted huge scientific interest. A large and growing number of scientific research papers have been published worldwide, underlining the compound's medical potential in multiple diseases (95 in 2017 to the end of May), and increasing our understanding of the mechanism(s) of action of the compound. Sulforaphane has been shown to have anti-cancer and neuroprotective qualities in a wide range of preclinical and clinical studies, for example breast cancer, prostate cancer, multiple sclerosis and autism. However, the daily dose of sulforaphane required to elicit these potential therapeutic effects is far greater than can practically and consistently be delivered from dietary sources.

When chemically synthesised, sulforaphane is a liquid and the molecule spontaneously breaks down unless stored at very low temperatures. Evgen Pharma's core technology seeks to unlock the therapeutic potential of sulforaphane, overcoming its inherent instability. The Company's patent-protected Sulforadex® technology enables the scalable manufacturing of synthetic sulforaphane stabilised in a novel composition. This stabilised composition is a solid powder that can be formulated into pills and other medicinal formats. The Sulforadex® technology is also applicable to novel compounds based upon the core sulforaphane structure, giving us the opportunity to develop a broad clinical pipeline and to become the world leader in sulforaphane and sulforaphane-like pharmaceuticals.

Evgen's first product developed using the Sulforadex® technology is SFX-01; a synthetic copy of sulforaphane stabilised by an alpha-cyclodextrin lattice. SFX-01 has been advanced through preclinical and Phase I clinical trials and is now in Phase II in two separate indications: metastatic breast cancer and SAH.

Our assets include novel analogues of sulforaphane that have been synthesised and are being screened with a view to identifying the most promising compounds thereby reinforcing our leading position in the sulforaphane field.

*OBJECTIVE AND STRATEGY*

Our objective is to establish a leading position in the development and commercialisation of pharmaceuticals based upon sulforaphane and related analogues. The strategy to achieve this objective is to:

- continue clinical development of SFX-01 in SAH and metastatic breast cancer (see below);
- capitalise on the broad potential of SFX-01 by appraising and, if commercially appropriate, initiating clinical studies in additional cancer and neurological indications, and exploring other types of disease where sulforaphane may be effective;
- support investigator-initiated studies (i.e. academic units typically with grant funding) in new areas to increase scientific understanding and expand the clinical applications of SFX-01 in a cost-effective manner (see below);
- expand our intellectual property portfolio, including specific dose regimes, product formulations and new uses, and composition of matter based on novel sulforaphane analogues;
- complete one or more licensing agreements when attractive terms are achievable;
- in due course, opportunistically diversify the product pipeline, where the Directors believe such opportunities have a good strategic fit.

*SPONSORED PROGRAMMES*

Evgen Pharma is initially focusing on demonstrating the efficacy of SFX-01 in one oncology indication and one neurology indication to demonstrate the potential breadth of application of SFX-01 as an anti-cancer agent and neuroprotectant respectively:

- STEM (SFX-01 in the Treatment and Evaluation of Metastatic Breast Cancer), a 60 patient multi-centre trial in Europe (including the UK); and
- SAS (SFX-01 After Subarachnoid Haemorrhage), a 90 patient trial in the UK.

Evgen Pharma also has a clinical interest in other oncology and neurology indications, for example prostate cancer and multiple sclerosis.

*INVESTIGATOR-INITIATED STUDIES*

In addition to our core in-house programmes, we will continue to support investigator-initiated studies (completely or largely funded by the investigator or relevant charities) to broaden the range of applications for SFX-01.

In particular, three collaborations (in two new therapeutic areas) have progressed well and are presenting near-term clinical development opportunities:

- *Autism:* a third-party, small (40 patient), randomised placebo controlled trial has shown that sulforaphane (delivered as a frozen botanical extract) significantly improved behavioural measures and there are now five clinical trials (with over 300 patients in aggregate) investigating the use of sulforaphane in autism (none is using a viable pharmaceutical product). Evgen Pharma has been approached by a UK consortium led by Dr Michael Absoud (St Thomas' Hospital) that wishes to trial SFX-01 for the treatment of autism in children using a randomised double blind Phase II trial. This is a relatively near-term opportunity to initiate an Investigator Initiated Study using non-dilutive grant funding.
- *Regenerative medicine (bone):* Evgen Pharma has ongoing collaborations with the Mayo Clinic (US) and the Royal Veterinary College; (RVC) both with interest in SFX-01 as an agent that could potentially drive bone regeneration. With an interest in osteoporosis, the Mayo Clinic has previously shown that sulforaphane increases bone mass via an epigenetic mechanism that increases osteoblast differentiation. The RVC has previously presented data showing that SFX-01 improves bone architecture and gait in a naturally occurring model of osteoarthritis and a new scientific paper to this effect is in review.

**PIPELINE**

*SFX-01 IN BREAST CANCER*

Breast cancer is the biggest cause of cancer deaths in women worldwide. In around 75% of breast cancers, the hormone oestrogen plays a key part in tumour growth. Such tumours express the oestrogen receptor (ER+) and, if the cancer is metastatic, endocrine therapy is the main treatment. It is thought that hormone independent cancer stem cells are implicated in the development of resistance to hormone therapy and the spread of the disease by metastases. Since 2012, Evgen Pharma has worked with the Cancer Research UK Manchester Institute and together we have generated promising data showing SFX-01 reduces the number of cancer

stem cells in patient-derived breast cancer tissue in xenograft models. The xenograft studies used a combination of hormone therapy and SFX-01, with the role of SFX-01 being to target the cancer stem cell population. This data was first presented at the American Association of Cancer Research annual conference in Philadelphia in April 2015 and further preclinical data was presented in December 2016 at the San Antonio Breast Cancer Symposium.

STEM ('SFX-01 in the Treatment and Evaluation of Metastatic Breast Cancer') is a multi-centre, Phase IIa clinical trial. Led by Principal Investigator Dr Sacha Howell of the Christie Hospital in Manchester, the trial will recruit 60 patients from multiple sites in the UK and up to four other European countries. Two sites are currently open for recruitment in each of the UK and Belgium and a total of 9 patients have been enrolled to date. As prevously announced, due to protracted regulatory submissions in France, Spain and the Czech Republic, we are projecting the read-out from the study in the second half of calendar year 2018. As the study is open label, the Company will issue an interim data analysis in the first half of calendar year 2018.

All STEM patients will have ER+ metastatic breast cancer and will have been on treatment with either tamoxifen, aromatase inhibitors (AI) or fulvestrant. Prior to entry to the STEM trial, patients must have previously responded to their current hormone therapy for at least six months but then present with progressive disease, thereby demonstrating the start of resistance to the hormone therapy. Once entered into the trial, patients continue to receive their hormone therapy in addition to SFX-01 and have regular scans through to week 24. Patients discontinue the trial when one of the scans shows disease progression or at week 24.

The Company has recently announced that the first patient to enter the STEM trial is now approaching week 24, having demonstrated no disease progression for three consecutive scans. On this basis, the Company has initiated a compassionate use programme, so that patients can continue to receive SFX-01 after week 24.

The primary endpoints are safety/tolerability and clinical benefit rate (CBR) as measured by RECIST (Response Evaluation Criteria In Solid Tumours). After 24 weeks, for responding patients, there will be a continued access programme and a follow-up for safety.

The trial is registered at ClinicalTrials.gov and can be viewed at this link: https://clinicaltrials.gov/ct2/show/NCT02970682?term=SFX-01&rank=2

*SFX-01 IN SUBARACHNOID HAEMORRHAGE*

Aneurysmal SAH is a form of stroke, caused by a ruptured aneurysm which leads to a bleed in the subarachnoid space around the outside of the brain. It is a relatively rare condition, accounting for around 5% of all strokes. It is fatal in approximately 50% of cases with approximately 15% dying before they reach hospital. A delayed cerebral ischaemia (DCI), which happens 3-14 days after the initial haemorrhage, remains the single most important cause of morbidity and mortality in those patients that survive the initial bleed. Over 60% of surviving patients suffer some permanent neurological deficit.

Nimodipine, the current standard of care, has been generic for more than 20 years, during which time there have been no significant clinical advances in the treatment of SAH. Whilst SAH is relatively rare, the market potential for this devastating condition, with its high unmet clinical need, is significant. In October 2015, Credit Suisse estimated potential peak sales of $1.7bn by 2032 for a Phase III development product based on the intraventricular delivery of a nimodipine-based formulation.

SFX-01 is aimed at reducing the neurological damage associated with the DCI via the up-regulation of the Nrf2– ARE (nuclear factor erythroid 2-related factor 2–antioxidant response element) pathway. Sulforaphane, the active principle in SFX-01, is a well-known activator of the Nrf2–ARE pathway which plays a protective role in many physiological stress processes such as inflammatory damage, oxidative stress, and the accumulation of toxic metabolites, which are all involved in the cerebral vasospasm following SAH. On 30 April 2016, the first patient was dosed in the Company's Phase II clinical trial entitled SAS: SFX-01 After Subarachnoid haemorrhage. The trial is a double-blind, placebo-controlled study of 90 patients; 45 receiving nimodipine and placebo and 45 receiving nimodipine and SFX-01. The primary endpoints are Transcranial Doppler (essentially blood flow as measured by ultrasound through the brain's blood vessels and a measure of the cerebral vasospasm), safety and pharmacokinetics.

Importantly, secondary endpoints include a cognitive measurement of clinical improvement ("the modified Rankin Scale") assessed at 7, 28, 90 and 180 days post haemorrhage. Potential follow-on studies would almost certainly have primary clinical endpoints based on such clinical outcomes.

The trial is registered at ClinicalTrials.gov and can be viewed at this link: https://clinicaltrials.gov/ct2/show/NCT02614742?term=evgen&rank=1.

To date 34 patients have been recruited into the trial at one UK centre; University Hospital Southampton (UK). As previously announced, the Data Safety Monitoring Board ("DSMB"), a panel of independent experts, has now met on two occasions to analyse the unblinded data for safety and confirmed there are no safety issues attributable to SFX-01. The DSMB has however recommended that patients should henceforward be assigned to an arm of the study on a stratified basis to help correct an imbalance of baseline disease severity across the study's two arms: in one arm patients receive nimodipine, the current standard of care, plus placebo and in the other patients receive nimodipine plus SFX-01. The Company has accepted the DSMB's recommendation and recruitment will continue once this stratification process has been designed and implemented.

As part of its risk mitigation strategy, the Company has initiated a second site (Queen Elizabeth Hospital Birmingham, UK) to accelerate patient recruitment, and recruitment at both centres is expected to recommence in the coming weeks. The Company is now anticipating the read-out from the study around the end of calendar year 2018.

*SFX-01 IN MULTIPLE SCLEROSIS*

The principal mechanism of action of SFX-01 in SAH is via sulforaphane's ability to upregulate the Nrf2 pathway, resulting in a wide range of antioxidant and anti-inflammatory effects. It is this pathway that is implicated in Biogen IDEC's treatment for multiple sclerosis, Tecfidera®. In-vitro studies have shown that sulforaphane is a more potent activator of Nrf2 than dimethyl fumerate, the active ingredient in Tecfidera®. In September 2016, Evgen presented a late-breaking abstract and poster at the 32nd Congress of the European Committee for Treatment and Research in Multiple Sclerosis (ECTRIMS) in London. The poster was entitled "Efficacy of SFX-01, a sulforaphane-based drug in experimental autoimmune encephalomyelitis". The study concluded that: "SFX-01 appears to be superior to BG-12 in the therapeutic EAE model. SFX-01 appears to exert maximum effects later in the course of the disease by enabling superior neurological recovery in the chronic stage after relapse. SFX-01 is a promising drug candidate in MS, and warrants further investigation."

The Group has completed a strategic review of the multiple sclerosis opportunity and has concluded that it would be prudent to appraise two further data sets prior to building a new direct investment and/or partnering proposition. Firstly, a review of the pharmacokinetic data from the cerebrospinal fluid (CSF) of the SAS trial confirming that the SFX-01 dose used results in brain-side delivery at concentrations expected to be therapeutically active. Secondly, a further dose-ranging preclinical

# STRATEGIC REPORT
*continued*

*experiment with histology at all doses. Together, and for minimal new* investment, these data sets would significantly improve the risk profile associated with a significant investment in a Phase II trial.

**Early stage pipeline**
SFX-01 is a synthetic and stable sulforaphane, which has been shown to have excellent pharmacokinetics and a bioavailability of around 80%. When the synthetic sulforaphane is released from its sugar lattice in the gastrointestinal tract it has the same half-life in the body as naturally occurring sulforaphane and has been shown to be equipotent. Medicinal chemists at the University of Seville have gone on to create a range of novel compounds based upon the sulforaphane core structure. Evgen has in-licenced the Seville intellectual property presenting us with multiple new chemical entities based upon sulforaphane.

During the year our partners at the University of Seville, the Spanish National Research Council (CSIC) and the University of Liverpool started a programme to synthesise and screen a series of novel, proprietary, sulforaphane analogues. All compounds have now been synthesised in Spain and the screening is underway in the UK.

**INTELLECTUAL PROPERTY UPDATE**
During the year a number of patent applications have moved to grant or have moved to Notice of Allowance:

- The core composition of matter patent, entitled, "Stabilized Sulforaphane," with expiry no later than 2028, is granted in the United States, Canada and Australia and is pending in Europe, Japan and Hong Kong.
- The core manufacturing patent entitled "Scale-up process for Sulforadex", with expiry no later than 2033, is granted in the United States and is proceeding to grant in Australia and Japan. It is pending in Brazil, Canada, China, Europe and India.
- A further manufacturing patent entitled "Improving purity of Sulforaphane in a sample", with expiry no later than 2033, is granted in the United States and is pending in China, Europe and Japan.
- The novel sulforaphane analogues composition of matter patent entitled "Sulforaphane-Derived Compounds, Production method thereof and the Medical, Food and Cosmetic use of same", with expiry no later than 2033, is granted in Spain and is proceeding to grant in Australia. It is pending in Canada, China, Europe, Japan and the United States.

Further patent protection associated with product formulation and dosing regimes is continually under review with new applications anticipated in 2018.

*RECENT ADVANCES IN SULFORAPHANE SCIENCE*
The scientific literature around sulforaphane continues to expand with 2016 seeing a record number of 172 peer-reviewed publications. A further 95 were published from January to the end of May 2017.

The last 12 months has seen a number of papers support the hypothesis that sulforaphane targets cancer stem cells. Sulforaphane has been shown to enhance the activity of taxanes against triple negative breast cancer by killing cancer stem cells and has been shown to target cancer stem-like cells in both pancreatic cancer and glioblastoma.

The literature around sulforaphane's mechanism of action has also moved forward. A recent proteomic analysis to specifically identify sulforaphane binding targets in breast cancer cell lines has confirmed Keap1 as a potent high confidence target at concentrations that can be realistically administered to subjects. Other potent binders were MIF (macrophage migration inhibitory factor), NF-kB and STAT3. Interestingly, in two other recent studies, sulforaphane has been shown to induce programmed cell death in gliobastoma calls via STAT3 and improve the efficacy of a chemotherapy in gastric cancer cells by targeting cancer stem-like cells via the STAT3 pathway.

Finally, a study published in December 2016 further validated our selection of subarachnoid haemorrhage for clinical investigation. The administration of sulforaphane to rats following subarachnoid haemorrhage was demonstrated to enhance the activity of the Nrf2 pathway, attenuate the cerebral vasospasm, and significantly ameliorate two behavioral functions disrupted by the haemorrhage.

**Global clinical trial activity**
At the time of writing, there are 47 clinical trials registered as evaluating sulforaphane. Eleven are actively recruiting and two of those are registered by Evgen Pharma (SFX-01 in the Treatment and Evaluation of Metastatic Breast Cancer and SFX-01 After Subarachnoid Haemorrhage).

Only the Evgen Pharma trials are evaluating a drug development product in the form of a synthetic sulforaphane. The remaining trials are using botanical extracts derived from broccoli seeds and/or sprouts. Some contain no sulforaphane but rely upon the variable conversion by gut microflora, others have had sulforaphane enzymatically released and then the extract is frozen prior to use in the clinic.

Other than our own registered trials, no other clinical programme is using a pharmaceutical development product that can reliably deliver standardised doses of sulforaphane. Interestingly, of the nine "non-Evgen" trials, four are in autism; an area where SFX-01 has attracted the attention of clinicians in the UK with access to grant funding for a substantive Phase II study.

**KEY PERFORMANCE INDICATORS**
Key Performance Indicators include a range of financial and non-financial measures (such as clinical trial progress). Details about the progress of our development programs (non-financial measures) are included elsewhere in this Strategic Report, and below are the other indicators (financial measures) considered pertinent to the business.

| | 2017 (£m) |
|---|---|
| **Year-end cash and short-term investments and cash *on deposit held: (2016: £7.1m)*** | **3.9** |

The reduction in year-end cash reflects working capital, pre-clinical and clinical expenditures during the year. Equity placings in August and October 2015 raised gross proceeds of £9.0m.

| | 2017 (£m) |
|---|---|
| **Cash flows (including short-term investments) – Net cash inflow/(outflow): (2016: £6.9m)** | **(3.3)** |

The net cash outflow again reflects working capital, pre-clinical and clinical expenditures during the year.

| | 2017 (£m) |
|---|---|
| **Operating loss: (2016: £2.4m)** | **3.7** |

The increase in operating loss reflects greater clinical activity in the year.

## PEOPLE

We were delighted to welcome Dr Bob Holland and Dr Tom Morris who became Medical Advisers (in neurology and oncology respectively) to the Company in September 2016. Dr Holland had a long career at AstraZeneca having been their VP and Head of Personalised Healthcare & Biomarkers and prior to that their VP and Head of Neuroscience Therapeutic Area. Dr Morris has held various medical roles in oncology at AstraZeneca including Senior Medical Director for Oncology, Executive Director of Clinical Programs and Medical Science Director for the Oncology Therapy Area.

John Bradshaw resigned as Finance Director in February 2017 to focus on his work with a new healthcare investment vehicle and Mark Wyatt left the Board at the year end to spend more time on his directorships of earlier stage companies in his investment portfolio with Enterprise Ventures. We were very pleased to welcome Richard Moulson to the Board as Chief Financial Officer. Richard brings considerable experience in life science and technology companies at CFO level.

David Howat, Chief Development Officer, left at the year end and we thank him for his contribution to establishing Evgen as a clinical-stage company. David Chadwick, who joined us in April 2016 was promoted to Head of Clinical Operations in January 2017. We are building out our drug development capability with additional staff to support David Chadwick, and through a relationship with APTrans, a consultancy comprising mainly ex-AstraZeneca staff with deep and relevant expertise in a number of drug development disciplines such as toxicology and clinical pharmacology.

We thank all our academic and clinical partners, suppliers and staff for their continued support and enthusiasm. We would also like to thank our investors for their continued support.

## FINANCIAL REVIEW

The financial performance for the year ended 31 March 2017 was in line with expectations.

### Losses

The total loss for the year was £3.1m (31 March 2016: £3.1m) including a charge for share-based compensation of £0.2m (2016: £0.5m). Operating expenses excluding non-recurring administrative expenses increased to £3.5m (2016: £1.2m) principally because of costs associated with conducting clinical trials which commenced recruitment during the year. These include the manufacture of product for the trials, payments to sub-contractors who manage the trials and payments to the clinical sites running the trials. In addition, staff costs excluding share based payments increased by £0.3m with more senior level capability.

There were no non-recurring administration expenses during the year (31 March 2016: warrant charges (£0.3m) and IPO costs (£0.4m)).

### Share based compensation

Accounting standards require a charge to be made against the grant of share options and recognised in the Consolidated Statement of Comprehensive Income. This amounted to £0.2m (2015: £0.5m) and has no impact on cash flows.

### Headcount

Average headcount of the Group for the year was 8 (2016: 7).

### Taxation

The Group has elected to claim research and development tax credits under the small or medium enterprise research and development scheme of £0.58m (2016: £0.09m). The substantial increase reflects expenditures in conducting clinical trials.

### Share capital

A total of 129,729 ordinary shares of 0.25 pence each were issued pursuant to exercises of share options granted under The Evgen Pharma plc Long Term Incentive Plan (2016: 272,000). These options had an exercise price of nil pence per share and the nominal value was credited against the share premium account.

### Cash flows and financial position

The cash position (including short-term deposits) at 31 March 2017 decreased to £3.9m (31 March 2016: increased to £7.1m), reflecting increased clinical expenditure as SFX-01 progressed into two Phase 2 trials and recurring general and administrative costs.

## PRINCIPAL RISKS AND UNCERTAINTIES

Evgen Pharma is a biopharmaceutical company and, in common with other companies operating in the sector, is subject to a number of risks. The principal risks and uncertainties identified by the Group for the year ended 31 March 2017 are set out below.

### Development

The Group is at a relatively early stage of development and may not be successful in its efforts to develop approved or marketable products. Technical risk is present at each stage of the development process which is a highly regulated environment which presents technical and operational risk. There can be no guarantee that the Group will be able to, or that it will be commercially advantageous for the Group to, develop its Intellectual Property through entering into licensing deals with pharmaceutical companies.

### Commercial

The biotechnology and pharmaceutical industries are very competitive. The Group's competitors include major multinational pharmaceutical companies, biotechnology companies and research institutions. Many of its competitors have substantially greater financial, technical and other resources. The Group's competitors may succeed in developing, acquiring or licensing drug product candidates that are more effective or less costly than those the Group is developing, or may develop, and this may have a material adverse impact on the Group.

### Regulatory

The Group's operations are subject to laws, regulatory approvals, and certain government directives, recommendations and guidelines. There can be no assurance that future legislation will not impose further government regulation which may adversely affect the business or financial condition of the Group.

### Intellectual property (IP)

The Group's success depends in part on its ability to obtain and maintain patent protection for its technology and potential products in the United States, Europe and other countries. If the Group is unable to obtain and maintain patent protection for its technology and potential products, or if the scope of patent protection is not sufficiently broad, competitors could develop and commercialise similar technology and products, which could materially affect the Group's ability to successfully commercialise its technology and potential products. The Group is exposed to additional IP risks, including infringement of IP rights, involvement in lawsuits and the inability to protect the confidentiality of its trade secrets which could have an adverse effect on the success of the Group.

# STRATEGIC REPORT
*continued*

**Financial**
The Group has a limited operating history, has incurred significant losses since its inception and does not have any approved or revenue – generating products. The Group expects to incur losses for the foreseeable future, and there is no certainty that the business will generate a profit. The Group may not be able to raise additional funds that will be required to support its product development programs or commercialisation efforts, and any additional funds that are raise may cause dilution to existing shareholders.

**Operational**
The Group's future development and prospects depend to a material extent on the experience, performance and continued service of its senior management team including the Directors. The Directors believe the senior management team is appropriately structured for the Group's size and stage of development and is not overly dependent on any one individual. The Group has entered into contractual arrangements with these individuals with the aim of securing the services of each of them. Retention of these services or the identification of suitable replacements cannot be guaranteed. The loss of the service of any of the Directors or senior management and the cost of recruiting replacements may have a material adverse effect on the Group and its commercial and financial performance.

**OUTLOOK**
The outlook for Evgen is positive. We have two Phase 2 trials of SFX-01 ongoing in different disease areas and pre-clinical and clinical data that supports clinical investigation in new indications. These include further opportunities in cancer and neurology but also in the field of regenerative medicine. All have considerable commercial opportunity and we look forward to the future with confidence.

This report was approved by the Board of Directors on 12 June 2017 and signed on behalf of the Board of Directors by:

| | |
|---|---|
| **Barry Clare** | **Dr Stephen Franklin** |
| Chairman | Chief Executive Officer |
| 12 June 2017 | 12 June 2017 |

# THE BOARD OF DIRECTORS

**BARRY CLARE Chairman**
Barry is an experienced healthcare company Director who joined Evgen Limited as Chairman in 2009. Having graduated in Natural Sciences at Cambridge University, Barry joined Procter & Gamble where he spent 10 years working in a variety of product development roles in the UK and in Europe. In 1984, he joined Diversey Corporation, the speciality chemicals division of Molson Companies, as corporate Vice President and VP Marketing in Canada where he led its transformation from a commodity chemical supplier to a leading differentiated business solutions provider to the food and hospitality industries. In 1991, Barry joined Boots Company plc as managing Director of Boots Healthcare International, the company's over-the-counter ("OTC") consumer healthcare division. Between 1991 and 2001, the business became the fastest growing OTC company in Europe and included the global expansion of brands such as Nurofen, Strepsils and Clearasil. In 1999, he was appointed to the board of Boots Company plc and became managing Director of Boots Retail International. He was appointed group marketing Director of Boots Company plc in 2002, a position he held until 2003 when he left to set up Clarat Partners LLP, a specialist firm to participate in transactions in the healthcare, medical devices, beauty, personal care and well-being sectors. Barry, who served as a Non-Executive Director of Standard Chartered plc between 2001 and 2003, is on the board of several private healthcare companies and is non-executive chairman of University Hospital of South Manchester Foundation Trust. Barry has been a Director and Chairman of Evgen Limited since November 2009 and Evgen Pharma plc since October 2014.

**DR STEPHEN FRANKLIN Chief Executive Officer**
Steve, the founder of Evgen Pharma, has over 20 years' commercial experience in life science industries, focusing on the commercialisation of new technology. He was the CEO of Provexis plc, a science-based nutraceutical company, and led that company through its admission to AIM in 2005. Prior to that, Steve was a Principal Executive with ANGLE plc and held a business development role with Manchester Biotech (now UMIC), one of the largest campus-based incubators in Europe. At ANGLE and UMIC he helped establish and support a portfolio of healthcare businesses. Steve has a BSc in Biology (York), a PhD in Applied Biochemistry (Nottingham) and an MBA with distinction (Nottingham). He is a Fellow of the Royal Society of Medicine and an alumnus of the Royal Commission for the Exhibition of 1851. Since founding Evgen Limited in 2008, Steve has raised approximately £13 million in funding for the Group, successfully in-licensed technologies, taken SFX-01 through preclinical safety and toxicology and subsequent Phase I trials, and has established collaborations with research institutes in the UK, USA and Spain. Steve has been a Director of Evgen Limited since November 2007 and of Evgen Pharma plc since October 2014.

**RICHARD MOULSON Chief Financial Officer**
Richard is a qualified chartered accountant with over 20 years' post-qualification experience working as a chief financial officer for UK quoted and private equity and venture capital owned companies. Richard trained with Coopers & Lybrand and spent 10 years with Deutsche Morgan Grenfell in corporate finance working on fundraisings, IPOs and M&A transactions in the UK and internationally. He has considerable life science experience in companies including Intercytex Group Plc, ReNeuron Group plc and Cobra Therapeutics Ltd, and currently provides part-time CFO and finance consulting services to SMEs with a focus on life science businesses. Richard became a Director of Evgen Pharma plc in January 2017.

**DR SUSAN FODEN Non-Executive Director and Senior Independent Director**
Susan has an MA, D.Phil in biochemistry from the University of Oxford. Susan held research appointments at AEA Technology, Harwell, before joining Celltech plc in 1983 where she became head of academic liaison. In 1987, Susan was appointed Chief Executive of Cancer Research Campaign Technology Ltd ("CRCT") establishing the company and building its operations to one with significant royalty streams and equity in spin-out companies. From 1998 to 2000, she was also Chief Executive of Cancer Research Ventures Ltd, a subsidiary of CRCT, set up to transfer cancer technologies outside the Cancer Research Campaign portfolio in the UK and overseas. In 2000, Susan joined Merlin Biosciences Ltd where she was an investor Director with a focus on healthcare until 2003. Susan holds various Non-Executive Directorships including BTG plc, Vectura Group plc and BerGenBio AS. She is a member of the Investment Committee for CD3, a joint initiative between the University of Leuven and the European Investment Fund. Susan was appointed as a Non-Executive Director of Evgen Limited in 2011 and became a Director of Evgen Pharma plc in November 2014.

**DR ALAN BARGE Non-Executive Director**
Alan has held high-level strategic leadership roles in oncology with global pharmaceutical companies. He was formerly Chief Medical Officer of Singapore-based ASLAN Pharmaceuticals PTE. He was the Clinical Vice President and Head of Oncology & Infection at AstraZeneca where he was directly responsible for the company's overall strategy in oncology and infection, from drug discovery to proof-of-concept. He was also the Head of the Therapy Area Portfolio Team and accountable for the design and delivery of all projects and budgetary accountability of approximately US$200 million per annum at AstraZeneca. Prior to this, Alan held other positions in AstraZeneca, including Clinical Vice President (Oncology & Infection), Worldwide Medical Director (Iressa), and Global Product Director (Emerging Oncology). Prior to his career at AstraZeneca, Alan was European Medical Director for Amgen Inc. Alan was appointed a Director of Evgen Pharma plc in October 2015.

**DR MARC D'ABBADIE Non-Executive Director**
Marc is an Investor Director at SPARK Impact, the manager of the North West Fund for Biomedical. NWFB first invested in Evgen in 2011. Marc has represented NWFB Directors Limited, corporate Director of Evgen since 2011. Marc was previously at Inventages, which manages one of the world's largest life science focused venture capital funds with assets of US$1.5bn; at Technikos, a medical device venture capital investor; and was also a consultant at McKinsey & Co. He has published in peer-reviewed scientific journals, is a named inventor on two patents and had founded a start-up. Marc obtained his MA in Natural Sciences from Trinity College and his PhD in Biochemistry from the MRC Laboratory of Molecular Biology, both at the University of Cambridge. Marc became a Director of Evgen Pharma plc in his own name in November 2014.

# CORPORATE GOVERNANCE REPORT

The Directors recognise the importance of sound corporate governance and acknowledge that although compliance with the UK Corporate Governance Code ("the Code") is not compulsory for AIM listed companies the Board seeks to comply with the Quoted Companies Alliance ("QCA") Corporate Governance Code (as devised by the QCA in consultation with a number of significant institutional small company investors) to the extent appropriate and practical the Group's size and stage of development.

**Board Structure**
The Board is responsible to shareholders for the proper management of the Group. A statement of Directors' responsibilities is set out on page 15.

The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. The Board comprises the Chairman, two Executive Directors and three Non-Executive Directors. Of the Non-Executive Directors, the Board considers two to be independent. Non-Executive Directors receive a fee for their services, in the case of Mark Wyatt and Marc d'Abbadie, the fees are/were paid to their employers.

The Board holds regular meetings and is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions and overseeing the Group's progress to its goals.

**Board Committees**
The Board has established Audit and Remuneration Committees of the Board with formally delegated duties and responsibilities.

**Audit Committee**
The members of the Audit Committee are Marc d'Abbadie, Susan Foden and Alan Barge. Marc d'Abbadie is the chair of the Audit Committee.

The responsibilities of the Committee include the following:

- Monitoring the integrity of the financial statements of the Group.
- Reviewing the accounting policies, accounting treatments and disclosures in the financial statement.
- Reviewing the Group's internal financial controls and risk management systems.
- Overseeing the Group's relationship with external auditors, including making recommendations to the Board as to the appointment or re-appointment of the external auditors, reviewing their terms of engagement, and monitoring the external auditors' independence, objectivity and effectiveness.

**Remuneration Committee**
The members of the Remuneration Committee are Susan Foden, Barry Clare and Alan Barge. Susan Foden is the Chair of the Remuneration Committee.

The responsibilities of the Committee include the following:

- Determining and agreeing with the Board the remuneration policy for all Directors
- Within the terms of the agreed policy, determining the total individual remuneration package for Executive Directors
- Overseeing the evaluation of Executive officers
- Determining bonuses payable under the Group's bonus scheme
- Determining the award of and vesting of awards under the Group's Long Term Incentive Plan and exercise of share options
- The Directors' Remuneration Report is presented at pages 11 to 14.

**Risk Management and Control**
The Board is responsible for the systems of internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Board reviews the effectiveness of these systems annually by considering the risks potentially affecting the Group.

The Group does not consider it necessary to have an internal audit function due to the small size of the administrative function. Instead there is a detailed review and authorisation of transactions by the CFO and CEO.

A comprehensive budgeting process is undertaken once a year and is reviewed and approved by the Board. The Group's results, compared with the budget are reported to the Board on a monthly basis.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are reviewed on an annual basis.

**Corporate Social Responsibility**
The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interest of the Group's stakeholders, including its investors, employees, suppliers and business partners, when operating the business.

**Employment**
The Board recognises its legal responsibility to ensure the well-being, safety and welfare of its employees and maintain a safe and healthy working environment for them and for its visitors.

**Relations with shareholders**
The Board recognises the importance of communication with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. Our website has a section dedicated to investor matters and provides useful information for the Company's owners. The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, while the Chairman and CEO ensure that the views of the shareholders are communicated to the Board as a whole. The Board ensures that the Group's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholders value. Fully audited Annual Reports are published, and Interim Results statements notified via Regulatory Information Service announcements. All financial reports and statements are available on the Company's website.

Shareholders are welcome to attend the Group's AGM, where they will have the opportunity to meet the Board. All shareholders will have at least 21 days' notice of the AGM at which the Directors will be available to discuss aspects of the Group's performance and to receive questions.

# DIRECTORS' REPORT
**for the year ended 31 March 2017**

**Financial Statements**
The Directors of Evgen Pharma plc (registered in England and Wales: 09246681) present their report together with the audited consolidated financial statements and the Company financial statements for the year ended 31 March 2017.

**Directors**
The Directors of the Company who served during the period and up to the date of this report, unless otherwise indicated, are as follows:

| | Capacity | |
|---|---|---|
| Stephen Franklin | Chief Executive Officer | Appointed 2 October 2014 |
| Barry Clare | Chairman | Appointed 2 October 2014 |
| Richard Moulson | Chief Financial Officer | Appointed 17 January 2017 |
| Susan Foden | Non-Executive and Senior Independent Director | Appointed 21 November 2014 |
| Alan Barge | Non-Executive Director | Appointed 21 October 2015 |
| Marc D'Abbadie | Non-Executive Director | Appointed 21 November 2014 |
| John Bradshaw | Finance Director | Appointed 21 November 2014<br>Resigned 28 February 2017 |
| Mark Wyatt | Non-Executive Director | Appointed 21 November 2014<br>Resigned 31 March 2017 |

Biographical details of Evgen's current Directors are shown on page 7.

The Group maintained Directors' and Officers' liability insurance cover throughout the year.

**Principal activities of the Group**
Details of current and future trading as well as the principal risks and uncertainties are included in the Strategic Report on pages 2 to 6.

**Business Review and Key Performance Indicators**
The review of the business, future trading and key performance indicators are covered in the Strategic Report.

**Financial results and dividends**
The Group's results for the year ended 31 March 2017 are presented on page 17. The Group's net loss after tax for the year was £3.1m (2016: £3.1m).

**Directors' interests in share options**
Details of Directors' interests in shares, share options and service contracts are shown in the Directors' Remuneration Report.

**Research and Development**
The Group is continuing to research products in its chosen area.

**Employee involvement**
Employee involvement in the overall performance of the Group is encouraged through both formal and informal meetings which deal with a range of matters including the Group's financial performance, development progress and health and safety. Copies of the Annual Report and Interim Report are made available to all employees.

**Political donations**
The Group made no political donations in the current or prior year.

**Authority to issue shares**
At the Annual General Meeting on 26 July 2017 authority will be sought from shareholders to allow the Directors to allot relevant securities up to an aggregate nominal value of £61,055, representing one-third of the issued share capital, and to allot for cash equity securities having a nominal value not exceeding in aggregate £18,318 (being 10% of the issued share capital).

**Substantial shareholdings**
At 13 June 2017, the Company had received notification from the following financial institutions of their and their clients' interest in the following disclosable holdings, which represent 3% or more of the voting rights of the issued share capital of the Company.

| Shareholders having a major interest | Number of shares held | % of issued share capital |
|---|---|---|
| North West Funds (Biomedical) LP | 16,148,446 | 22.1 |
| RisingStars Growth Fund LP II | 11,950,869 | 16.3 |
| AXA Framlington Investment Management Limited | 6,785,000 | 9.3 |
| South Yorkshire Investment Fund Limited | 3,772,949 | 5.2 |
| Seneca Partners Limited | 3,536,022 | 4.8 |
| Sarum Limited | 3,005,053 | 4.1 |
| Letzone Limited | 2,664,000 | 3.6 |

# DIRECTORS' REPORT

**for the year ended 31 March 2017** *continued*

**Going concern**

At 31 March 2017, the Group had cash and cash equivalents, including short-term investments and cash on deposit, of £3.9 million. After making enquiries and taking into account management's estimate of future revenues and expenditure, the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operation for the foreseeable future.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

The Directors estimate that the cash held by the Group together with known receivables will be sufficient to support the current level of activities into the first quarter of 2018. The Directors are continuing to explore sources of finance available to the Group and have confidence that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis. Because the additional finance is not committed at the date of approval of these financial statements, these circumstances represent an uncertainty as to the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets.

**Strategic Report**

The information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic Report in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

**Disclosure of information to auditors**

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- each of the Directors has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

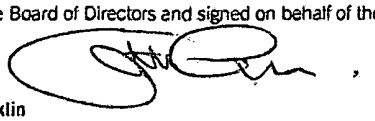
**Independent Auditors**

RSM UK Audit LLP have expresses their willingness to continue in office as auditors for the year. A resolution to reappoint them will be presented at the forthcoming AGM.

**Annual General Meeting**

The notice convening and giving details of the 2017 AGM of the Company to be held at the offices of RSM UK Audit LLP, 3 Hardman Street, Manchester M3 3HF on 26 July 2017 has been sent to shareholders.

Approved by the Board of Directors and signed on behalf of the Board



**Dr Stephen Franklin**
Chief Executive Officer

12 June 2017

Evgen Pharma plc
Liverpool Science Park Innovation Centre 2
146 Brownlow Hill
Liverpool
Merseyside
L3 5RF

Company registration number: 09246681

# DIRECTORS' REMUNERATION REPORT

**Introduction**
Evgen Pharma plc has elected voluntarily to disclose a Directors' Remuneration Report even though not required to as an AIM-listed company.

**Remuneration Committee**
The remuneration policy is the responsibility of the Remuneration Committee, a sub-committee of the Board. Details of the members and remit of the Committee is provided in the Corporate Governance section. The Executive Directors attended meetings by invitation but no Director is involved in discussions relating to their own remuneration.

The Committee has engaged the services of PricewaterhouseCoopers LLP ("PwC") to provide wholly independent advice on executive remuneration in relation to design of incentive arrangements on and following Admission. There were no other services provided by PwC to the Group during the year.

**REMUNERATION POLICY OVERVIEW**
**Remuneration Policy for Executive Directors**
The Remuneration Committee sets a remuneration policy that aims to align Executive Directors' remuneration with shareholders' interests and attract and retain the best talent for the benefit of the Group. The Company seeks to strike an appropriate balance between fixed and performance-related reward, forming a clear link between pay and performance.

Since its IPO Evgen has operated the following share plans:

- Evgen Pharma Deferred Bonus Plan (DBP)
- Evgen Pharma Long Term Incentive Plan (LTIP)

These plans are intended to maintain remuneration policy in line with market practice for an AIM listed company and ensure alignment between the reward strategy and business strategy. The Committee will continue to review the Company's remuneration policy on a regular basis to ensure it remains fit for purpose for the Company, drives high levels of executive performance and remains competitive in the market.

The remuneration of the Executive Directors during the year ended 31 March 2017 is set out below:

**Basic salary**
Basic salaries are reviewed annually.

The purpose of the base salary is to:

- reflect market rates to support the recruitment and retention of key individuals
- reflect the individual's experience, role and contribution with the Company; and
- ensure that the Executive Directors are fairly rewarded for carrying out their duties.

**Bonuses**
Executive Directors participate in a bonus plan under which they are entitled to a maximum annual bonus of 50% of salary. Other employees are entitled to bonuses under the plan at lower percentages of salary. Annual bonus entitlements are based on the achievement of Group corporate, financial and personal performance targets.

The performance targets for the financial year ending 31 March 2018 have been set by the Remuneration Committee and include Group corporate, financial and personal performance targets.

The Remuneration Committee considers that the targets will support the business strategy, and that bonus arrangements represent an important element of the performance-related pay for the Executive Directors.

In order to align executives' interests with those of shareholders and manage cash costs, a proportion of the bonus payable to the Executives may be paid in cash and a proportion may be paid in shares through the Deferred Bonus Plan ("DBP") which was adopted by the Company on Admission. The Committee will determine on an annual basis the level of deferral of the bonus payment into Company share awards in the form of nil cost options up to a maximum of 50% of the bonus earned. DBP awards will vest at the end of a three-year period from the relevant date of grant.

**Benefits**
Benefits in the form of private medical insurance and death in service insurance are provided to Executive Directors.

**Long term incentives**
*SHARE PLANS OPERATED PRIOR TO ADMISSION*
Prior to Admission the Company granted share awards under stand-alone option agreements as well as operating the following share plans:

- Evgen 2008 Share Option Scheme
- Evgen Limited Enterprise Management Incentive Plan

Further details of outstanding options under these arrangements are as set out on page 14.

*CURRENT LONG TERM INCENTIVE*
On Admission the Company adopted the LTIP which allows for share awards to be made in the form of nil cost options. The Company believes that the LTIP aligns the interest of Executive Directors with those of shareholders and on an ongoing basis will form a significant part of their performance-related pay.

Under the LTIP initial retention awards were granted to the Executive Directors in the form of nil cost options at the time of IPO. Further details of these awards are set out on page 14.

On an ongoing basis the maximum annual individual limit is 100% of salary, although awards up to 150% of salary may be awarded in exceptional circumstances. Share awards will normally vest over a three-year period subject to the achievement of stretching corporate performance targets. The Remuneration Committee's current intention is for vesting to be based on the achievement of absolute total shareholder return targets.

# DIRECTORS' REMUNERATION REPORT

*continued*

**Pension**

The Group pays pension contributions for Executive Directors and employees into personal pension schemes.

**Executive Directors service contracts and termination provisions**

The service contracts of Executive Directors are approved by the Board. The service contracts may be terminated by either party giving 6 or 12 months' notice to the other. The details of the Directors' service contracts are summarised below:

| | Date of Contract | Notice period |
|---|---|---|
| Stephen Franklin | 14 October 2015 | 12 months |
| Richard Moulson | 17 January 2017 | 6 months |

**Non-Executive Directors**

The Non-Executive Directors have entered into letters of appointment with the Company, with the Board determining the fees paid to the Non-Executive Directors, with regard to market comparatives and similar businesses. The Non-Executive Directors do not participate in the Group's pension, bonus or option schemes. The appointments are terminable on one month's notice by either party.

The Non-Executive Directors do not receive any pension, or bonus or benefits from the Company. The contracts of the Non-Executive Directors are reviewed by the Board annually. Current contracts are set out below:

| | Date of Contract | Initial term |
|---|---|---|
| Barry Clare | 14 October 2015 | 1 month notice |
| Susan Foden | 14 October 2015 | Three years |
| Alan Barge | 14 October 2015 | Three years |
| Marc d'Abbadie | 14 October 2015 | Three years |

Barry Clare was appointed Executive Chairman on 14 October 2014 and reverted to his prior position of Non-Executive Chairman of the Company in December 2016 as intended following an initial post-admission period.

**Directors' remuneration during the year ended 31 March 2017**

The Directors received the following remuneration during the year:

| | Salaries and fees £ | Taxable benefits £ | Bonuses £ | LTIP £ | Pension contributions £ | Total year ended 31 March 2017 £ | Salaries and fees £ | Taxable benefits £ | Bonuses £ | LTIP £ | Pension contributions £ | Total year ended 31 March 2016 £ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | | | | | |
| Stephen Franklin | 147,600 | 1,767 | 36,900 | 144,000 | 14,400 | **344,667** | 117,746 | 736 | 19,336 | 144,000 | 6,426 | 288,244 |
| John Bradshaw[1] | 36,664 | — | 7,611 | 18,000 | — | **62,275** | 32,870 | — | 4,690 | — | — | 37,560 |
| Richard Moulson | 10,256 | — | - | — | — | **10,256** | — | — | - | — | — | — |
| **Non-Executive** | | | | | | | | | | | | |
| Barry Clare[2] | 47,812 | — | 5,411 | 54,000 | — | **107,223** | 36,248 | — | 40,000 | 54,000 | — | 130,248 |
| Susan Foden | 26,500 | — | — | — | — | **26,500** | 18,015 | — | — | — | — | 18,015 |
| Alan Barge[3] | 26,100 | — | — | — | — | **26,100** | 10,065 | — | — | — | — | 10,065 |
| Mark Wyatt[4] | 22,500 | — | — | — | — | **22,500** | 10,063 | — | — | — | — | 10,063 |
| Marc d'Abbadie[5] | 26,500 | — | — | — | — | **26,500** | 11,794 | — | — | — | — | 11,794 |
| | 343,932 | 1,767 | 49,922 | 216,000 | 14,400 | **626,021** | 236,801 | 736 | 64,026 | 198,000 | 6,426 | 505,989 |

For the ease of comparison, remuneration has been disclosed for a full year ended 31 March 2017 and 31 March 2016 in respect of both Evgen Pharma plc and Evgen Limited.

Barry Clare became Non-Executive Chairman of Evgen Pharma plc on 5 December 2016. Richard Moulson was appointed as a Director on 17 January 2017. John Bradshaw resigned as a Director on 28 February 2017. Alan Barge was appointed a Director on 21 October 2015.

No Directors waived emoluments in the period ended 31 March 2017.

[1] Includes fees of £2,839 (2016: £16,767) paid to Bradshaw Daniel Limited, a related party as detailed in Note 19.
[2] Includes fees of £nil (2016: £9,601) and a bonus of £nil (2016: £40,000) paid to Clarat Partners LLP, a related party as detailed in Note 19.
[3] Includes fees of £3,600 (2016: £nil) paid to Dr Alan Barge.
[4] Includes fees of £22,500 (2016: £10,063) paid to Enterprise Ventures Limited.
[5] Includes fees of £26,500 (2016: £11,794) paid to SPARK Impact Limited.

**Directors' shareholdings**
The Directors who served during the year, together with their beneficial interest in the shares of the Company are as follows:

| Ordinary shares of 0.25p each | At 31 March 2017 | At 31 March 2016 |
|---|---|---|
| **Executive** | | |
| Stephen Franklin | **1,375,200** | 1,375,200 |
| John Bradshaw (resigned 28 Feb 2017) | **88,648** | 40,000 |
| Richard Moulson | **—** | — |
| **Non-Executive** | | |
| Barry Clare[1] | **940,108** | 940,108 |
| Susan Foden | **—** | — |
| Alan Barge | **—** | — |
| Mark Wyatt[2] (resigned 31 March 2017) | **15,723,818** | 15,723,818 |
| Marc d'Abbadie[3] | **16,186,446** | 16,186,446 |

[1] Of the ordinary shares set out above Barry Clare is indirectly interested in 592,508 (2016: 592,508) ordinary shares in the Company held by Clarat Partners LLP by virtue of being a member of Clarat Partners LLP.
[2] Mark Wyatt is employed by Enterprise Ventures Limited, which manages South Yorkshire Investment Fund Limited and RisingStars Growth Fund II, which are shareholders in the Company, and he participates in incentive schemes connected to the performance of South Yorkshire Investment Fund Limited and RisingStars Growth Fund II. Mark Wyatt does not hold any shares in the Company directly.
[3] Marc d'Abbadie is an employee of SPARK Impact Limited which manages North West Fund for Biomedical which is a shareholder in the Company, and he has a carried interest in North West Fund for Biomedical. Marc d'Abbadie does not hold any shares in the Company directly.

**Bonus**
*In recognition of contribution made during the current period, the Committee determined to pay cash bonuses to certain of the Executive Directors as set out* in the table above.

**Benefits/Pensions**
Details of payments in respect of benefits and pensions arrangements for the Executive Directors are set out in the table above.

# DIRECTORS' REMUNERATION REPORT
*continued*

**Directors' Share Options**
Share options have been granted under the LTIP as follows:

- On admission to Executive Directors to support the recruitment and retention of key individuals.
- As an annual award to Executive Directors as envisaged when the scheme was established.

Awards made at Admission to the then Executive Chairman and the CEO vest subject to three instalments, one third on Admission, one third on the first anniversary of Admission and one third on the third anniversary of Admission. The award made to the Finance Director vested on the first anniversary of Admission.

Annual awards vest on the third anniversary from the date of grant. The percentage that vest is determined by the Company's share price on the vesting date; from 25% if the price is at least 37p up to 100% on a straight line basis if it is 55p or greater. If the price is less than 37p the options will lapse.

Details of these LTIP awards together with outstanding options granted to the Executive Directors prior to Admission are set out in the table below.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire Ordinary shares in the Company granted to or held by the Directors. Details of these options are as follows:

| Director | Plan | Date of grant | At 1 April 2016 | Granted during the period | Lapsed during the period | Exercised during the period | At 31 March 2017 | Price per share (£) | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|---|
| Stephen Franklin | Pre IPO | 21 November 2011 | 1,015,200 | — | — | — | 1,015,200 | 0.05 | 31 August 2013 | 20 November 2021 |
| | Pre IPO | 23 December 2013 | 1,940,800 | — | — | — | 1,940,800 | 0.0265375 | 21 October 2015 | 22 December 2023 |
| | Pre IPO | 26 June 2015 | 884,000 | — | — | — | 884,000 | 0.008875 | 21 October 2015 | 26 June 2025 |
| | Pre IPO | 26 June 2015 | 132,800 | — | — | — | 132,800 | 0.00875 | 21 October 2015 | 26 June 2025 |
| | LTIP | 21 October 2015 | 389,189 | — | — | — | 389,189 | Nil | 21 October 2015 | 20 October 2025 |
| | LTIP | 21 October 2015 | 389,189 | — | — | — | 389,189 | Nil | 21 October 2016 | 20 October 2025 |
| | LTIP | 21 October 2015 | 389,189 | — | — | — | 389,189 | Nil | 21 October 2018 | 20 October 2025 |
| | LTIP | 31 October 2016 | — | 276,173 | — | — | 276,173 | Nil | 31 October 2019 | 30 October 2026 |
| | | | **5,140,367** | **276,173** | **—** | **—** | **5,416,540** | | | |
| Barry Clare | Pre IPO | 18 August 2010 | 456,000 | — | — | — | 456,000 | 0.008875 | 21 October 2015 | 17 August 2020 |
| | Pre IPO | 11 January 2011 | 86,400 | — | — | — | 86,400 | 0.00875 | 8 July 2014 | 10 January 2021 |
| | Pre IPO | 25 November 2011 | 272,000 | — | — | — | 272,000 | 0.05 | 31 August 2013 | 24 November 2021 |
| | Pre IPO | 14 August 2013 | 224,800 | — | — | — | 224,800 | 0.10615 | 14 August 2015 | 13 August 2023 |
| | LTIP | 21 October 2015 | 145,945 | — | — | — | 145,945 | Nil | 21 October 2015 | 20 October 2025 |
| | LTIP | 21 October 2015 | 145,946 | — | — | — | 145,946 | Nil | 21 October 2016 | 20 October 2025 |
| | LTIP | 21 October 2015 | 145,946 | — | — | — | 145,946 | Nil | 21 October 2018 | 20 October 2025 |
| | | | **1,477,037** | **—** | **—** | **—** | **1,477,037** | | | |
| John Bradshaw | LTIP | 21 October 2015 | 48,648 | — | — | (48,648) | — | — | — | — |
| | LTIP | 31 October 2016 | — | 69,043 | (69,043) | — | — | | | |
| Richard Moulson | — | — | — | — | — | — | — | — | — | — |
| Susan Foden | Pre IPO | 25 November 2011 | 136,000 | — | — | — | 136,000 | 0.05 | 31 August 2013 | 24 November 2021 |
| Alan Barge | Pre IPO | 1 May 2012 | 272,000 | — | — | — | 272,000 | 0.05 | 1 May 2014 | 30 April 2022 |

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRSs adopted by the EU;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 Evgen Pharma plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITORS' REPORT

## to the members of EVGEN PHARMA plc

**Opinion on financial statements**

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 17 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the parent's affairs as at 31 March 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern. The going concern status of the Group is dependent upon the management of the timing of settlement of its liabilities and the raising of further funds in the short to medium term.

Forecasts prepared by management indicate that if they are unable to manage the Group's liabilities as planned or the external fundraising does not occur in the short to medium term they would have an immediate requirement to seek alternative sources of funding. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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 any material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

**Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statement set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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.

**Graham Bond**, FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

12 June 2017

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**for the year ended 31 March 2017**

| | Notes | **Year ended 31 March 2017 £'000** | Year ended 31 March 2016 £'000 |
|---|---|---|---|
| **Operating expenses** | | | |
| Operating expenses | | **(3,449)** | (1,232) |
| Share based compensation | 5 | **(209)** | (519) |
| *Non-recurring administrative expenses* | 3 | **—** | (683) |
| **Total operating expenses** | 3 | **(3,658)** | (2,434) |
| **Operating loss** | 3 | **(3,658)** | (2,434) |
| Finance income | | **17** | 8 |
| Finance expense | 6 | **(3)** | (791) |
| **Loss on ordinary activities before taxation** | | **(3,644)** | (3,217) |
| *Taxation* | 7 | **576** | 85 |
| **Loss and total comprehensive expense attributable to equity holders of the parent for the year** | | **(3,068)** | (3,132) |
| **Loss per share attributable to equity holders of the parent (pence)** | 8 | | |
| Basic loss per share | | **(4.19)** | (6.29) |
| Diluted loss per share | | **(4.19)** | (6.29) |

# CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | As at 31 March 2017 £'000 | As at 31 March 2016 £'000 | As at 31 March 2017 £'000 | As at 31 March 2016 £'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 9 | 11 | 6 | — | — |
| Intangible assets | 10 | 128 | 74 | — | — |
| Investments in subsidiary undertaking | 11 | — | — | 73 | 73 |
| **Total non-current assets** | | 139 | 80 | 73 | 73 |
| **Current assets** | | | | | |
| Trade and other receivables | 12 | 84 | 79 | 5,237 | 2,887 |
| Current tax receivable | | 660 | 115 | — | — |
| Short-term investments and cash on deposit | 13 | — | 2,006 | — | 2,006 |
| Cash and cash equivalents | 13 | 3,859 | 5,120 | 3,686 | 5,051 |
| **Total current assets** | | 4,603 | 7,320 | 8,923 | 9,944 |
| **Total assets** | | 4,742 | 7,400 | 8,996 | 10,017 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 14 | 514 | 313 | 232 | 106 |
| **Total current liabilities** | | 514 | 313 | 232 | 106 |
| **Equity** | | | | | |
| Ordinary shares | | 183 | 183 | 183 | 183 |
| Share premium | | 10,495 | 10,495 | 10,495 | 10,495 |
| Merger reserve | | 2,067 | 2,067 | — | — |
| Share based compensation | | 1,476 | 1,267 | 861 | 655 |
| Retained deficit | | (9,993) | (6,925) | (2,775) | (1,422) |
| **Total equity attributable to equity holders of the parent** | | 4,228 | 7,087 | 8,764 | 9,911 |
| **Total liabilities and equity** | | 4,742 | 7,400 | 8,996 | 10,017 |

The loss for the financial year dealt with in the financial statements of the parent company was £1,352,982 (2016: £1,422,060).

The financial statements on pages 17 to 39 were approved by the Board of Directors and authorised for issue on 12 June 2017 and were signed on its behalf by:

**Stephen Franklin**
Chief Executive Officer

12 June 2017

Evgen Pharma plc,
Registered number: 09246681

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the year ended 31 March 2017**

| | Attributable to equity holders of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Ordinary shares £'000** | **Share premium £'000** | **Merger reserve £'000** | **Shares to be issued £'000** | **Share based compensation £'000** | **Retained deficit £'000** | **Total £'000** |
| **Balance at 31 March 2015** | 73 | — | 2,067 | 1,750 | 466 | (5,543) | (1,187) |
| Total comprehensive expense for the period | — | — | — | — | — | (3,132) | (3,132) |
| **Transactions with owners** | | | | | | | |
| Equity element of loan note | — | — | — | (1,750) | | 1,750 | — |
| Share based compensation – share options | — | — | — | — | 519 | — | 519 |
| Share based compensation – warrants | — | — | — | — | 282 | — | 282 |
| Share issue – cash | 19 | 1,840 | — | — | — | — | 1,859 |
| Share issue – cash | 47 | 6,645 | — | — | — | — | 6,692 |
| Share issue – loan note conversion | 23 | 2,017 | — | — | — | — | 2,040 |
| Share issue – bonus issue | 20 | (20) | — | — | — | — | — |
| Share issue – options exercised | 1 | 13 | — | — | — | — | 14 |
| **Total transactions with owners** | **110** | **10,495** | **—** | **(1,750)** | **801** | **1,750** | **11,406** |
| **Balance at 31 March 2016** | 183 | 10,495 | 2,067 | — | 1,267 | (6,925) | 7,087 |
| Total comprehensive expense for the period | — | — | — | — | — | (3,068) | (3,068) |
| **Transactions with owners** | | | | | | | |
| Equity element of loan note | — | — | — | — | — | — | — |
| Share based compensation – share options | — | — | — | — | 209 | — | 209 |
| **Total transactions with owners** | **—** | **—** | **—** | **—** | **209** | **—** | **209** |
| **Balance at 31 March 2017** | **183** | **10,495** | **2,067** | **—** | **1,476** | **(9,993)** | **4,228** |

# COMPANY STATEMENT OF CHANGES IN EQUITY

**for the year ended 31 March 2017**

| | Attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|
| | Ordinary shares £'000 | Share premium £'000 | Share based compensation £'000 | Retained deficit £'000 | Total £'000 |
| **Balance at 2 October 2014** | — | — | — | — | — |
| Total comprehensive expense for the period | — | — | — | (1,422) | (1,422) |
| **Transactions with owners** | | | | | |
| Share based compensation – share options | — | — | 373 | — | 373 |
| Share based compensation – warrants | — | — | 282 | — | 282 |
| Share issues – acquisition of Evgen Limited | 73 | — | — | — | 73 |
| Share issue – cash | 19 | 1,840 | — | — | 1,859 |
| Share issue – cash | 47 | 6,645 | — | — | 6,692 |
| Share issue – loan note conversion | 23 | 2,017 | — | — | 2,040 |
| Share issue – bonus issue | 20 | (20) | — | — | — |
| Share issue – options exercised | 1 | 13 | — | — | 14 |
| **Total transactions with owners** | **183** | **10,495** | **655** | **—** | **11,333** |
| **Balance at 31 March 2016** | **183** | **10,495** | **655** | **(1,422)** | **9,911** |
| Total comprehensive expense for the period | — | — | — | (1,353) | (1,353) |
| **Transactions with owners** | | | | | |
| Share based compensation – share options | — | — | 206 | — | 206 |
| **Total transactions with owners** | **—** | **—** | **206** | **(1,353)** | **(1,147)** |
| **Balance at 31 March 2017** | **183** | **10,495** | **861** | **(2,775)** | **8,764** |

# CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

**for the year ended 31 March 2017**

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31 March 2017 £'000** | Year ended 31 March 2016 £'000 | **Year ended 31 March 2017 £'000** | Year ended 31 March 2016 £'000 |
| **Cash flows from operating activities** | | | | |
| Loss before taxation | **(3,644)** | (3,217) | **(1,353)** | (1,422) |
| Finance expense | **3** | 791 | **—** | 470 |
| Depreciation and amortisation | **17** | 8 | **—** | — |
| Share based compensation | **209** | 801 | **206** | 655 |
| | **(3,415)** | (1,617) | **(1,147)** | (297) |
| **Changes in working capital** | | | | |
| Increase in trade and other receivables | **(4)** | (47) | **(2,350)** | (1,317) |
| Increase in trade and other payables | **198** | 104 | **126** | 106 |
| **Cash used in operations** | **194** | 57 | **(2,224)** | (1,211) |
| Taxation received | **30** | — | **—** | — |
| **Net cash used in operating activities** | **(3,191)** | (1,560) | **(3,371)** | (1,508) |
| **Cash flows from investing activities** | | | | |
| Acquisition of intangible assets | **(68)** | (36) | **—** | — |
| Purchase of property, plant and equipment | **(8)** | (6) | **—** | — |
| Short-term investments and cash on deposit | **2,006** | (2,006) | **2,006** | (2,006) |
| **Net cash used in investing activities** | **1,930** | (2,048) | **2,006** | (2,006) |
| **Cash flows from financing activities** | | | | |
| Proceeds from issue of shares | **—** | 9,014 | **—** | 9,014 |
| Issue costs | **—** | (449) | **—** | (449) |
| **Net cash generated from financing activities** | **—** | 8,565 | **—** | 8,565 |
| **Movements in cash and cash equivalents in the period** | **(1,261)** | 4,957 | **(1,365)** | 5,051 |
| Cash and cash equivalents at start of period | **5,120** | 163 | **5,051** | — |
| **Cash and cash equivalents at end of period** | **3,859** | 5,120 | **3,686** | 5,051 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Evgen Pharma plc ('the Company') is a public limited company incorporated in England & Wales and was admitted to trading on the AIM market of the London Stock Exchange under the symbol EVG on 21 October 2015. The address of its registered office is Liverpool Science Park Innovation Centre 2, 146 Brownlow Hill, Liverpool, Merseyside L3 5RF. The principal activity of the Company is clinical stage drug development.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

**Basis of preparation**
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies operating under IFRS.

The consolidated financial statements have been prepared under the historical cost convention modified by the revaluation of certain financial instruments.

The consolidated financial statements are presented in Sterling (£) and rounded to the nearest £000. This is the predominant functional currency of the Group, and is the currency of the primary economic environment in which it operates. Foreign transactions are accounted in accordance with the policies set out below.

**Basis of consolidation**
The financial statements incorporates the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and, has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

**Going concern**
As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on Risk Management and Internal Control and Related Financial and Business Reporting". The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

The Directors estimate that the cash held by the Group together with known receivables will be sufficient to support the current level of activities into the first quarter of 2018. The Directors are continuing to explore sources of finance available to the Group and have confidence that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis. Because the additional finance is not committed at the date of approval of these financial statements, these circumstances represent an uncertainty as to the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets.

**Currencies**
**Functional and presentational currency**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at an average rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**Intangible assets**
Intangible assets with finite useful lives that are acquired externally are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives as below. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Licences – 10 years

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**Property, plant and equipment**
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Such assets acquired in a business combination are initially recognised at their fair value at acquisition date. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on a straight-line basis starting from the month they are first used, as follows:

Plant, fixtures and fittings – 4 years
IT Equipment – 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Statement of Comprehensive Income.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

**Research and development expenditure**
All research and development costs, whether funded by third parties under licence and development agreements or not, are included within operating expenses and classified as such. Research and development costs relating to clinical trials are recognised over the period of the clinical trial based on information provided by clinical research organisations. All other expenditure on research and development is recognised as the work is completed.

All ongoing development expenditure is currently expensed in the period in which it is incurred. Due to the regulatory and other uncertainties inherent in the development of the Group's programmes, the criteria for development costs to be recognised as an asset, as prescribed by IAS 38, 'Intangible assets', are not met until the product has been submitted for regulatory approval, such approval has been received and it is probable that future economic benefits will flow to the Group. The Group does not currently have any such internal development costs that qualify for capitalisation as intangible assets.

**Income tax**
The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

(a) Current income tax
Current tax is based on taxable income for the period and any adjustment to tax from previous periods. Taxable income differs from net income in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods or that are never taxable or deductible. The calculation uses the latest tax rates for the period that have been enacted or substantively enacted by the dates of the Consolidated Statement of Financial Position.

(b) Deferred tax
Deferred tax is calculated at the latest tax rates that have been substantially enacted by the reporting date that are expected to apply when settled. It is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. It is not discounted.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are not recognised due to uncertainty concerning crystallisation.

# NOTES TO THE FINANCIAL STATEMENTS
*continued*

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**Operating leases**
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease.

**Payroll expense and related contributions**
Wages, salaries, payroll tax, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered.

**Pension costs**
The Group makes contributions towards the private pension schemes of certain Directors and employees.

**Share-based compensation**
The Group issues share based payments to certain employees and Directors and warrants have been issued to certain suppliers. Equity-settled sharebased payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, along with a corresponding increase in equity.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of any revision is recognised in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity reserves.

The fair value of share options and warrants are determined using a Black-Scholes model, taking into consideration the best estimate of the expected life of the option or warrant and the estimated number of shares that will eventually vest.

**Operating segments**
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of operating segments.

The Directors consider that there are no identifiable business segments that are subject to risks and returns different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8.

The results and assets for this segment can be determined by reference to the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.

**Dividends**
Dividends are recognised as a liability and deducted from equity at the time they are approved. Otherwise dividends are disclosed if they have been proposed or declared before the relevant financial statements are approved.

**Financial instruments**
Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

**Trade and other receivables**
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the Consolidated Statement of Comprehensive Income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for shortterm receivables when the recognition of interest would be immaterial.

**Cash, cash equivalents and short-term investments**
Cash and cash equivalents consist of cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Short-term investments comprise deposits with maturities of more than three months but no greater than twelve months.

**Trade and other payables**
Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

**Classification as debt or equity**
Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments**
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

**Compound instruments**
The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised upon conversion or expiry of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying value of the liability component and are amortised over the lives of the convertible notes using the effective interest method. Liabilities other than those classified as fair value through profit or loss are initially recorded at fair value net of transaction costs. Transaction costs and other finance costs are amortised to the profit and loss over the expected life of the instrument using the effective interest method.

Subsequently, if the expected life of the instrument is revised the carrying value of the instrument is revised to reflect the present value of the future cash flows discounted at the original effective interest rate. Any adjustments to the carrying value are recognised in the Consolidated Statement of Comprehensive Income.

**Financial risk management**
**Financial risk factors**
The Group's activities expose it to certain financial risks: market risk, credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close co-operation with key staff.

(a) Market risk
Market risk is the risk of loss that may arise from changes in market factors such as competitor pricing, interest rates, foreign exchange rates.

(b) Credit risk
Credit risk is the financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances.

(c) Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of the Group's liquidity and cash and cash equivalents based on expected cash flow.

**Capital risk management**
The Group has been funded by equity and loans. The components of shareholders' equity are:

(a) The share capital and share premium account arising on the issue of shares
(b) Merger reserve, which was created as a result of the acquisition by the Company of the entire issued share capital of Evgen Limited on 5 December 2014. This reserve is not considered to be distributable
(c) The shares to be issued reserve arising in relation to the convertible loan note
(d) The share based compensation reserve results from the Group's grant of equity-settled share options to selected employees and Directors
(e) The retained deficit reflecting comprehensive loss to date.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity. There are no externally imposed capital requirements. Financing decisions are made based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

# NOTES TO THE FINANCIAL STATEMENTS

*continued*

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**Fair value estimation**
The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values because of the short-term nature of such assets and the effect of discounting liabilities is negligible.

**Significant management judgement in applying accounting policies and estimation uncertainty**
When preparing the financial statements, the Directors make a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

**Significant management judgements**
*The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.*

**Estimation uncertainty**
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

**Share-based payment charge**
During the years ended 31 March 2016 and 31 March 2017, the Group issued a number of share options to certain employees and warrants to suppliers. A Black-Scholes model was used to calculate the appropriate charge for these periods. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. The total charge recognised in the year to 31 March 2016 £519,000, and year to 31 March 2017 £209,000.

**Accounting developments**
At the date of approval of the consolidated financial statements, the following Standards and Interpretations which have not been applied in the consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)
- IFRS 16 Leases (effective date 1 January 2019)

Where relevant, the Group is still evaluating the effect of these Standards issued but not yet effective, on the presentation of its consolidated financial statements.

### 3. OPERATING LOSS

An analysis of the Group's operating loss has been arrived at after charging/(crediting):

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Research and development expenses: | | |
| Amortisation of licences | **14** | 7 |
| Other research and development | **2,100** | 376 |
| Staff costs (including share based compensation) – Note 5 | **1,052** | 1,030 |
| Establishment and general: | | |
| Depreciation of property, plant and equipment | **3** | 1 |
| Operating lease cost – land and buildings | **8** | 5 |
| Foreign exchange loss | **14** | 2 |
| Other administrative expenses | **467** | 330 |
| Non-recurring administrative expenses | | |
| – IPO expenses | — | 401 |
| – Share based compensation – warrants | — | 282 |
| **Total operating expenses** | **3,658** | 2,434 |

The Group has one reportable segment, namely the development of pharmaceutical products all within the United Kingdom.

### 4. AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration is as follows:

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Fees payable to the Group's auditors for the audit of: | | |
| the consolidated and Company annual accounts | **15** | **14** |
| the subsidiary's annual accounts | **14** | **14** |
| **Total audit fees** | **29** | **28** |
| Audit related services | **3** | **2** |
| **Total audit related fees** | **3** | **2** |
| Other services | **5** | **91** |
| **Total non-audit fees** | **5** | **121** |

# NOTES TO THE FINANCIAL STATEMENTS
*continued*

**5. EMPLOYEES AND DIRECTORS**

The average monthly number of persons (including Executive Directors) employed by the Group was:

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31 March 2017 Number** | Year ended 31 March 2016 Number | **Year ended 31 March 2017 Number** | Year ended 31 March 2016 Number |
| Management | **1** | 1 | **1** | 1 |
| Administration | **1** | 1 | **—** | — |
| Development | **2** | 1 | **2** | 1 |
| Non-Executive | **4** | 4 | **4** | 4 |
| Average total persons employed | **8** | 7 | **7** | 6 |

As at 31 March 2017 the Group had 11 employees (31 March 2016: 10).

Staff costs in respect of these employees were:

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31 March 2017 £'000** | Year ended 31 March 2016 £'000 | **Year ended 31 March 2017 £'000** | Year ended 31 March 2016 £'000 |
| Wages and salaries | **664** | 437 | **646** | 421 |
| Social security costs | **150** | 63 | **149** | 62 |
| Other pension costs | **29** | 11 | **29** | 11 |
| Share-based payments | **209** | 519 | **206** | 373 |
| **Total remuneration** | **1,052** | 1,030 | **1,030** | 867 |

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The amounts outstanding at 31 March 2017 in respect of pension obligations are £nil (31 March 2016: £nil).

The total remuneration of the highest paid Director excluding grants of share options was £200,667 (31 March 2016: £144,244).

Key management remuneration:

| | Group and Company | |
|---|---|---|
| | **Year ended 31 March 2017 £'000** | Year ended 31 March 2016 £'000 |
| Short-term employee benefits | **320** | 303 |
| Social security costs | **44** | 25 |
| **Total remuneration** | **364** | 328 |

Key management includes Executive Directors and Non-Executive Directors who have the responsibility for planning, directing and controlling, directly or indirectly, the activities of the Group.

Details of the remuneration of the highest paid Director are included in the Directors Remuneration Report on page 12.

## 6. FINANCE EXPENSE

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Interest payable on fair value of loan notes | — | 791 |
| Other interest payable | 3 | — |
| **Total finance expense** | **3** | 791 |

## 7. TAXATION

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Current tax | | |
| Current period – UK corporation tax | — | — |
| R&D tax credit | 576 | 85 |
| **Net tax credit** | **576** | 85 |

The tax charge for each period can be reconciled to the loss per consolidated statement of comprehensive income as follows:

| | Year ended 31 March 2017 £'000 | Year ended 31 March 2016 £'000 |
|---|---|---|
| Loss on ordinary activities before taxation | (3,644) | (3,217) |
| Loss before tax at the effective rate of corporation tax in the United Kingdom of 20% (2016: 20%) | (729) | (643) |
| Effects of: | | |
| Losses not recognised | 729 | 643 |
| R&D tax credit | (576) | (85) |
| **Tax credit for the year** | **(576)** | (85) |

The Group has an unrecognised deferred tax asset of £0.9m (2016: £0.7m) related to accumulated tax losses. The Company has an unrecognised deferred tax asset of £0.3m (2016: £0.1m) related to accumulated tax losses. These assets are not recognised due to the uncertainty in the timing of crystallisation.

# NOTES TO THE FINANCIAL STATEMENTS
*continued*

**8. LOSS PER SHARE**

Basic loss per share is calculated by dividing the loss for the period attributable to equity holders by the weighted average number of ordinary shares outstanding during the year.

For diluted loss per share, the loss for the year attributable to equity holders and the weighted average number of ordinary shares outstanding during the year is adjusted to assume conversion of all dilutive potential ordinary shares.

As at 31 March 2017 and 31 March 2016, the Group had no dilutive potential ordinary shares in issue.

The calculation of the Group's basic and diluted loss per share is based on the following data:

| | **Year ended 31 March 2017 £'000** | Year ended 31 March 2016 £'000 |
|---|---|---|
| Loss for the year attributable to equity holders for basic loss and adjusted for the effects of dilution | **(3,068)** | (3,132) |

| | **As at 31 March 2017 Number** | As at 31 March 2016 Number |
|---|---|---|
| **Weighted average number of ordinary shares for basic loss per share** | **73,153,169** | 49,797,654 |
| Effects of dilution: | | |
| Share options | — | — |
| **Weighted average number of ordinary shares adjusted for the effects of dilution** | **73,153,169** | 49,797,654 |

| | **Year ended 31 March 2017 Pence** | Year ended 31 March 2016 Pence |
|---|---|---|
| Loss per share – basic and diluted | **(4.19)** | (6.29) |

The loss and the weighted average number of ordinary shares for the years ended 31 March 2016 and 2017 used for calculating the diluted loss per share are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of International Accounting Standard ("IAS") No 33.

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Plant, fixtures & fittings £'000 | IT Equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 31 March 2015 (Unaudited) | 1 | 4 | 5 |
| Additions | — | 6 | 6 |
| At 31 March 2016 | 1 | 10 | 11 |
| Additions | 1 | 7 | 8 |
| **At 31 March 2017** | **2** | **17** | **19** |
| **Accumulated Depreciation** | | | |
| At 31 March 2015 (Unaudited) | 1 | 3 | 4 |
| Charge for the period | — | 1 | 1 |
| At 31 March 2016 | 1 | 4 | 5 |
| Charge for the period | — | 3 | 3 |
| **At 31 March 2017** | **1** | **7** | **8** |
| **Net Book Value** | | | |
| At 31 March 2015 (Unaudited) | — | 1 | 1 |
| At 31 March 2016 | — | 6 | 6 |
| **At 31 March 2017** | **1** | **10** | **11** |

Depreciation is charged to operating expenses. As at 31 March 2017, the Company had no property, plant and equipment (31 March 2016: £nil).

## 10. INTANGIBLE ASSETS

| | *Licences* £'000 |
|---|---|
| **Cost** | |
| At 31 March 2015 | 64 |
| Additions | 36 |
| **Cost** | |
| At 31 March 2016 | 100 |
| Additions | 68 |
| **At 31 March 2017** | **168** |
| **Amortisation** | |
| At 31 March 2015 | 19 |
| Amortisation | 7 |
| **Amortisation** | |
| At 31 March 2016 | 26 |
| Amortisation | 14 |
| **At 31 March 2017** | **40** |
| Net Book Value | |
| At 31 March 2015 | 45 |
| At 31 March 2016 | 74 |
| **At 31 March 2017** | **128** |

# NOTES TO THE FINANCIAL STATEMENTS
*continued*

### 10. INTANGIBLE ASSETS (continued)

Amortisation is charged to operating expenses. The Group reviewed the amortisation period and the amortisation method for the intangible assets at the end of the reporting period and considered them appropriate.

The Group continually monitors events and changes in circumstances that could indicate that the intangible assets may be impaired.

As at 31 March 2017, the Company had no intangible assets.

### 11. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The consolidated financial statements of the Group as at 31 March 2017 include:

| Name of subsidiary | Class of share | Place of incorporation | Principle activities | Proportion of ownership interest | Proportion of voting rights held |
|---|---|---|---|---|---|
| Evgen Limited | Ordinary | United Kingdom | Operations | 100% | 100% |

**Evgen Limited**
With effect from 5 December 2014 the Company became the legal parent of Evgen Limited. The aggregate consideration for the acquisition was £72,922 satisfied by the issue of 12,595 new ordinary shares of £2 each, 18,849 new ordinary A shares of £2 each and 5,017 new ordinary B shares of £2 each. The registered office of Evgen Limited is 146 Brownlow Hill, Liverpool, L3 5RF.

### 12. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 March 2017 £'000** | As at 31 March 2016 £'000 | **As at 31 March 2017 £'000** | As at 31 March 2017 £'000 |
| **Amounts receivable within one year** | | | | |
| Trade receivables | — | 3 | — | — |
| Other receivables | **4** | — | **4** | — |
| Other taxation and social security | **28** | 21 | **11** | 9 |
| Prepayments | **52** | 55 | **45** | 46 |
| Amounts due from subsidiary undertakings | **—** | — | **5,177** | 2,832 |
| **Trade and other receivables** | **84** | 79 | **5,237** | 2,887 |

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. Details on the Group's credit risk management policies are shown in Note 18. The Group does not hold any collateral as security for its trade and other receivables.

## 13. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 March 2017 £'000** | As at 31 March 2016 £'000 | **As at 31 March 2017 £'000** | As at 31 March 2016 £'000 |
| Cash at bank and in hand | **3,859** | 5,120 | **3,686** | 5,051 |
| Short-term investments and cash on deposit | **—** | 2,006 | **—** | 2,006 |
| | **3,859** | 7,126 | **3,686** | 7,057 |

Under IAS 7 Statement of Cash Flows, cash held on long-term deposits (being deposits with maturity of greater than three months and no more than twelve months) that cannot readily be converted into cash has been classified as a short-term investment. The maturity on this investment was less than twelve months at the reporting date.

At 31 March 2017 the Group and Company had no deposits with original maturity of twelve months or less. Cash and cash equivalents at 31 March 2016 include deposits with original maturity of twelve months or less of £2,006,000 (Group) and £2,006,000 (Company).

The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

## 14. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **As at 31 March 2017 £'000** | As at 31 March 2016 £'000 | **As at 31 March 2017 £'000** | As at 31 March 2017 £'000 |
| **Amounts falling due within one year** | | | | |
| Trade payables | **164** | 86 | **80** | 9 |
| Other taxation and social security | **20** | 16 | **19** | 16 |
| Accrued expenses | **330** | 211 | **133** | 81 |
| Trade and other payables | **514** | 313 | **232** | 106 |

Trade and other payables principally consist of amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 45 day terms. The Directors consider that the carrying value of trade and other payables approximates to their fair value. All trade and other payables are denominated in Sterling. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the period.

The fair value of trade and other payables approximates their current book values.

# NOTES TO THE FINANCIAL STATEMENTS

*continued*

## 15. ISSUED CAPITAL AND RESERVES

### Ordinary shares

| | Company | |
|---|---|---|
| | Number | Share Capital £'000 |
| Issued and fully paid | | |
| Issued subscriber shares | 1 | — |
| Issued on acquisition of Evgen Limited | 36,461 | 73 |
| Issued for cash consideration | 9,569 | 19 |
| Subdivision of shares | 36,778,769 | — |
| Issued on loan conversion | 9,350,225 | 23 |
| Bonus issue | 7,776,918 | 20 |
| Issued under placing agreement | 18,918,919 | 47 |
| Issued on exercise of options | 272,000 | 1 |
| **At 31 March 2016** | **73,142,862** | **183** |
| Issued on exercise of options | 129,729 | — |
| **At 31 March 2017** | **73,272,591** | **183** |

On 2 October 2014 the Company was incorporated with one ordinary share of £2.00 subscribed for £nil paid.

On 5 December 2014 the Company entered into an agreement to acquire the entire share capital of Evgen Limited, satisfied by the issue of 12,595 ordinary shares of £2.00 each, 18,849 ordinary A shares of £2.00 each and 5,017 ordinary B shares of £2.00 and the original ordinary share credited as being fully paid.

On 26 August 2015 9,569 ordinary shares of £2.00 each were allotted to subscribers raising a total of £2 million.

On 12 October 2015 each ordinary share of £2.00 each was converted into 800 ordinary shares of £0.0025 each, each ordinary A share of £2.00 was converted into 800 A shares of £0.0025 each and each ordinary B share of £2.00 was converted into 800 B shares of £0.0025 each. Following this there were 17,732,000 ordinary shares, 15,079,200 A shares and 4,013,600 B shares in issue.

On 21 October 2015 7,776,918 ordinary shares were issued in connection with a bonus issue.

On 21 October 2015 6,553,330 A shares and 2,796,895 ordinary shares were issued in connection with the conversion of loan notes.

On 21 October 2015 all A shares and B shares then in issue were converted to ordinary shares, immediately following this conversion there were 53,951,943 ordinary shares in issue.

On 21 October 2015, following admission to the Alternative Investment Market of the London Stock Exchange, 18,918,919 ordinary shares of £0.0025 were issued at a price of £0.37 raising £7 million which after share issue expenses of £0.7 million gave net consideration of £6.3 million.

On 14 January 2016 272,000 ordinary shares were issued in connection with the exercise of share options. On 3 March 2017 a further 129,729 ordinary shares were issued in connection with the exercise of share options.

The Group and Company do not have an authorised share capital as provided by the Companies Act 2006.

## 16. SHARE-BASED PAYMENTS

Certain Directors and employees of the Group hold options to subscribe for shares in the Group under share option schemes. The number of shares subject to options, the periods in which they were granted and the period in which they may be exercised are given below.

The Group operates three share option schemes (31 March 2016: three), in addition share options have been granted under standalone unapproved share option agreements. Options are granted for £nil consideration and are exercisable at a price determined on the date of the grant.

At 31 March 2017 the Company had 8,695,621 (2016: 8,473,251) unissued ordinary shares of £0.0025 under the Company's share option schemes, details of which follow:

| Grant date | Number | Option price (£) | Date from which exercisable | Expiry date |
|---|---|---|---|---|
| 24 July 2008 | 80,000 | 0.073 | 24 July 2011 | 24 July 2018 |
| 18 August 2010 | 456,000 | 0.008875 | 21 October 2015 | 18 August 2020 |
| 18 August 2010 | 209,600 | 0.00875 | 21 October 2015 | 18 August 2020 |
| 18 August 2010 | 264,000 | 0.00875 | 21 October 2015 | 18 August 2020 |
| 11 January 2011 | 86,400 | 0.00875 | 08 July 2014 | 11 January 2021 |
| 11 January 2011 | 57,600 | 0.00875 | 08 July 2014 | 11 January 2021 |
| 25 November 2011 | 136,000 | 0.05 | 31 August 2013 | 25 November 2011 |
| 25 November 2011 | 1,015,200 | 0.05 | 31 August 2013 | 25 November 2021 |
| 25 November 2011 | 628,000 | 0.05 | 31 August 2013 | 25 November 2021 |
| 25 November 2011 | 272,000 | 0.05 | 31 August 2013 | 25 November 2021 |
| 01 May 2012 | 272,000 | 0.05 | 01 May 2014 | 01 May 2022 |
| 14 August 2013 | 284,800 | 0.10615 | 14 August 2015 | 14 August 2023 |
| 23 December 2013 | 1,940,800 | 0.0265372 | 21 October 2015 | 23 December 2023 |
| 26 June 2015 | 884,000 | 0.008875 | 21 October 2015 | 26 February 2025 |
| 26 June 2015 | 132,800 | 0.00875 | 21 October 2015 | 26 February 2025 |
| 21 October 2015 | 1,167,567 | — | 21 October 2015 | 21 October 2025 |
| 21 October 2015 | 437,837 | — | 21 October 2015 | 21 October 2025 |
| 21 October 2015 | 18,918 | — | 21 October 2015 | 21 October 2025 |
| 08 June 2016 | 53,473 | — | 08 June 2019 | 08 June 2026 |
| 31 October 2016 | 276,173 | — | 31 October 2019 | 31 October 2026 |
| 31 October 2016 | 22,453 | — | 31 October 2019 | 31 October 2026 |
| | **8,695,621** | | | |

Movements on share options during the year were as follows:

| Exercise price | At 1 April 2016 | Granted | Exercised | Lapsed/ cancelled | At 31 March 2017 | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|
| 0.073 | 80,000 | — | — | — | 80,000 | 24 July 2011 | 24 July 2018 |
| 0.008875 | 456,000 | — | — | — | 456,000 | 21 October 2015 | 18 August 2020 |
| 0.00875 | 473,600 | — | — | — | 473,600 | 21 October 2015 | 18 August 2020 |
| 0.00875 | 144,000 | — | — | — | 144,000 | 08 July 2014 | 11 January 2021 |
| 0.05 | 2,323,200 | — | — | — | 2,323,200 | 31 August 2013 | 25 November 2011 |
| 0.05 | — | — | — | — | — | 01 May 2014 | 01 May 2022 |
| 0.10615 | 284,800 | — | — | — | 284,800 | 14 August 2015 | 14 August 2023 |
| 0.0265372 | 1,940,800 | — | — | — | 1,940,800 | 21 October 2015 | 23 December 2023 |
| 0.008875 | 884,000 | — | — | — | 884,000 | 21 October 2015 | 26 February 2025 |
| 0.00875 | 132,800 | — | — | — | 132,800 | 21 October 2015 | 26 February 2025 |
| Nil | 1,705,403 | — | (81,081) | — | 1,624,322 | 21 October 2015 | 21 October 2025 |
| Nil | 48,648 | — | (48,648) | — | — | 21 October 2015 | 21 October 2025 |
| Nil | — | 53,473 | — | — | 53,473 | 08 June 2019 | 08 June 2026 |
| Nil | — | 488,916 | — | (190,290) | 298,626 | 31 October 2019 | 31 October 2026 |
| | **8,473,251** | **542,389** | **(129,729)** | **(190,290)** | **8,695,621** | | |

# NOTES TO THE FINANCIAL STATEMENTS
*continued*

**16. SHARE-BASED PAYMENTS (continued)**

As at the year end, the reconciliation of share option scheme movements is as follows:

| | **As at 31 March 2017** | | As at 31 March 2016 | |
|---|---|---|---|---|
| | **Number** | **Weighted average exercise price £** | Number | Weighted average exercise price £ |
| Outstanding at start of the year | **8,473,251** | **0.0262** | 6,991,200 | 0.0377 |
| Granted | **542,389** | **—** | 2,770,851 | 0.003 |
| Exercised | **(129,729)** | **—** | (272,000) | 0.05 |
| Lapsed/cancelled | **(190,290)** | **—** | (1,016,800) | 0.009 |
| **Outstanding at end of year** | **8,695,621** | **0.0256** | 8,473,251 | 0.0262 |
| ***Exercisable at end of year*** | **7,808,387** | **0.0309** | 7,938,116 | 0.0304 |

The Group has accounted for the charge arising from the issue of share options as below:

The total charge recognised for the year ended 31 March 2017 is £209,000 (2016: £519,000). The fair values of the options granted have been estimated using a Black Scholes model. Assumptions used were an option life of 5 years, a risk free rate of 2 per cent., a volatility of 60 per cent. and no dividend yield.

**Warrants**
On 21 October 2015 the Company issued warrants over 1,457,418 ordinary shares with an exercise price of £0.37 and a warrant life of 5 years.

*The Group has accounted for the charge arising from the issue of warrants as below:*

The total charge recognised for the year ended 31 March 2017 is £nil (2016: £282,000). The fair values of the warrants granted have been estimated using a Black Scholes model. Assumptions used were a warrant life of 5 years, a risk free rate of 2 per cent., a volatility of 60 per cent. and no dividend yield.

**17. OPERATING LEASE ARRANGEMENTS**

| | **Year ended 31 March 2017 £'000** | Year ended 31 March 2016 £'000 |
|---|---|---|
| Minimum lease payments under operating leases recognised as an expense in the period | **8** | 5 |

As at the year end, the Group has future aggregate minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **As at 31 March 2017 £'000** | As at 31 March 2016 £'000 | **As at 31 March 2017 £'000** | As at 31 March 2016 £'000 |
| Within one year | **15** | — | **15** | — |

Operating lease payments represent rentals payable by the Group for its serviced office space.

## 18. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments are cash flow and liquidity, interest rate and foreign currency risk. The Group's financial instruments comprise cash and various items such as trade receivables and trade payables, which arise directly from its operations.

**Cash flow and liquidity risk**
Management monitors the level of cash on a regular basis to ensure that the Group has sufficient funds to meet its commitments where due. The table below analyses the Group and Company's financial assets and liabilities by category:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **As at 31 March 2017** | As at 31 March 2016 | **As at 31 March 2017** | As at 31 March 2016 |
| | **Loans and receivables £'000** | Loans and receivables £'000 | **Loans and receivables £'000** | Loans and receivables £'000 |
| **Assets as per statement of financial position** | | | | |
| Trade receivables | — | 3 | — | — |
| Other receivables | **4** | — | **4** | — |
| Amounts due from subsidiary undertakings | — | — | **5,177** | 2,832 |
| Short term investments and cash on deposit | — | 2,006 | — | 2,006 |
| Cash and cash equivalents | **3,859** | 5,120 | **3,686** | 5,051 |
| | **3,863** | 7,129 | **8,867** | 9,889 |

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **As at 31 March 2017** | As at 31 March 2016 | **As at 31 March 2017** | As at 31 March 2016 |
| | **Financial liabilities at amortised cost £'000** | Financial liabilities at amortised cost £'000 | **Financial liabilities at amortised cost £'000** | Financial liabilities at amortised cost £'000 |
| **Liabilities as per statement of financial position** | | | | |
| Trade payables | **164** | 86 | **80** | 9 |
| Borrowings | — | — | — | — |
| | **164** | 86 | **80** | 9 |

**Interest rate risk**
The Group gives careful consideration to which organisations it uses for banking in order to minimise credit risk. The Group holds cash with one large bank in the UK, an institution with AA credit ratings (long term, as assessed by Moody's). The amounts of cash held with those banks at the reporting date can be seen in the financial assets table above. All of the cash and equivalents were denominated in UK sterling.

There was no significant concentration of credit risk at the reporting date.

The carrying amount of financial assets recorded in the Consolidated Statement of Financial Position, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

No allowance has been made for impairment losses. In the Directors' opinion, there has been no other impairment of financial assets during the period. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Directors consider the above measures to be sufficient to control the credit risk exposure. No collateral is held by the Group as security in relation to its financial assets.

# NOTES TO THE FINANCIAL STATEMENTS
*continued*

**18. FINANCIAL RISK MANAGEMENT (continued)**

**Foreign currency risk**
The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's use of suppliers operating overseas, primarily denominated in Euro and US dollars. The Group's exposure to foreign currency changes for all other currencies is not material.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the year-end were nil (2016: nil).

At present the Group does not make use of financial instruments to minimise any foreign exchange gains or losses so any fluctuations in foreign exchange movements may have a material adverse impact on the results from operating activities.

**Fair value of financial assets and liabilities**
There is no material difference between the fair value and the carrying values of the financial instruments because of the short maturity period of these financial instruments and their intrinsic size and risk.

**Credit risk**
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial assets are cash and cash equivalents and trade and other receivables. The carrying value of these assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's policy is to minimise the risks associated with cash and cash equivalents by placing these deposits with institutions with a recognised high rating.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group continually reviews customer credit limits based on market conditions and historical experience.

**Capital risk management**
The Group considers capital to be shareholders' equity as shown in the consolidated statement of financial position, as the Group is primarily funded by equity finance. The Group is not yet in a position to pay a dividend.

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders. In order to maintain or adjust the capital structure the Group may return capital to shareholders and issue new shares.

## 19. RELATED PARTY TRANSACTIONS

**Group**
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Key management compensation is disclosed in note 5 of the consolidated financial statements. Directors' emoluments are disclosed in the Directors' *Remuneration Report*.

During the year ended 31 March 2017, the Group purchased consultancy services totalling £nil (year ended 31 March 2016: £46,750) from Clarat Partners LLP, a partnership of which Barry Clare, a Director, is a member. The amount owed to Clarat Partners LLP at 31 March 2017 was £nil (31 March 2016: £nil).

During the year ended 31 March 2017, the Group purchased services totalling £179,819 (year ended 31 March 2016: £96,367) from The Clinical Trial Company Limited, a company of which Richard Moulson, a Director, is also a Director. The amount owed to The Clinical Trial Company Limited at 31 March 2017 was £nil (31 March 2016: £nil).

During the year ended 31 March 2017, the Group purchased consultancy services totalling £3,600 (year ended 31 March 2016: £nil) from Dr Alan Barge, a Director. The amount owed to Dr Alan Barge at 31 March 2017 was £nil (31 March 2016: £nil).

During the year ended 31 March 2017, the Group purchased consultancy and accounting services totalling £40,160 (year ended 31 March 2016: £50,840) from Bradshaw Daniel Limited, a company controlled by John Bradshaw, a Director until 1 March 2017. The amount owed to Bradshaw Daniel Limited at 31 March 2017 was £4,497 (31 March 2015: £2,556).

During the year ended 31 March 2017, the Group was charged monitoring and Director fees totalling £26,500 (year ended 31 March 2016: £20,104) by SPARK Impact Limited, manager of North West Fund for Biomedical, a shareholder. The amount owed to SPARK Impact, manager of North West Fund for Biomedical at 31 March 2017 was £nil (31 March 2016: £nil).

During the year ended 31 March 2017, the Group was charged monitoring and Director fees totalling £22,500 (year ended 31 March 2016: £21,451) by Enterprise Ventures Limited, manager of Rising Stars Growth Fund II, a shareholder. The amount owed to Enterprise Ventures Limited, manager of Rising Stars Growth Fund II at 31 March 2017 was £nil (31 March 2016: £nil).

**Company**
The Company is responsible for financing and setting Group strategy. The Company's subsidiary carried out the Group's development strategy and managed the Group's intellectual property. The Company provides interest free and unsecured funding to its subsidiary with no fixed date of repayment. Details of intercompany balances can be found in Note 12.

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