Company Registration Number 06403643

EVGEN LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 MARCH 2017

The board of directors	Stephen Franklin Barry Clare Richard Moulson
Registered office	Liverpool Science Park Innovation Centre 2, 146 Brownlow Hill, Liverpool, Merseyside, L3 5RF
Auditor	RSM UK Audit LLP Statutory Auditor Chartered Accountants 14th Floor 20 Chapel Street Liverpool L3 9AG
Legal advisers	Pinsent Masons LLP 30 Crown Place London EC2A 4ES

Principal activities and business review

The principal activities of the Company during the year were that of a clinical stage biotechnology company.

The Company's 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:

- focus current resources on the first two Group-Sponsored Clinical Studies: SAS (SFX-01 After Subarachnoid Haemorrhage) and STEM (SFX-01 in the Treatment and Evaluation of Metastatic Breast Cancer)
- commercially appraise and, if appropriate, develop new investment propositions for future Company-Sponsored Clinical Studies
- support Investigator-Initiated Studies (i.e. academic units typically with grant funding) in areas outside of the above to expand scientific understanding and keep abreast of other potential clinical applications (see below)
- expand its 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 after the first two Company-Sponsored Clinical Studies have reported;
- in due course, opportunistically diversify the product pipeline, where the Directors believe such opportunities have a good strategic fit.

The Company 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. To date 9 patients have been enrolled to this trial and one has proceeded to the Compassionate Use programme after no disease progression.

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. 34 patients have been recruited to this trial.

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.

Analysis of KPI's
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.

Year-end cash held: (2016: £0.1m) : £0.2m

Evgen Pharma plc raised equity funding during 2016 which is held at the parent company level unless required.

Loss before tax: (2016: £1.8m) £2.3m

Reflecting the increased R&D activity since Evgen Pharma plc's admission to AIM in October 2015

Principal risks and uncertainties
Evgen 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 Evgen Limited for the year ended 31 March 2017 are set out below.

Development
The Company 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 Company will be able to, or that it will be commercially advantageous for the Company to, develop its Intellectual Property through entering into licensing deals with pharmaceutical companies.

Commercial
The biotechnology and pharmaceutical industries are very competitive. The Company'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 Company's competitors may succeed in developing, acquiring or licensing drug product candidates that are more effective or less costly than those the Company is developing or may develop and this may have a material adverse impact on the Company.

Regulatory
The Company'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 Company.

Intellectual property (IP)
The Company'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 Company 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 Company's ability to successfully

commercialise its technology and potential products. The Company 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 Company.

Financial
The Company has a limited operating history, has incurred significant losses since its inception and does not have any approved or revenue generating products. The Company expects to incur losses for the foreseeable future, and there is no certainty that the business will generate a profit. The Company, via continued support from its parent undertaking, Evgen Pharma plc, 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 Company'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 Company's size and stage of development and is not overly dependent on any one individual. The Company 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 Company and its commercial and financial performance.

Signed on behalf of the directors

Richard Moulson
Director

Approved by the directors on 22nd September 2017

EVGEN LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2017

The directors present their report and the financial statements of the company for the year ended 31 March 2017.

Results and dividends

The loss for the year, after taxation, amounted to £1,715,000 (2016: £1,709,000). The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

Stephen Franklin
Barry Clare
Richard Moulson (appointed 1 March 2017)
John Bradshaw (resigned 28 February 2017)

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.

Auditor

RSM UK Audit LLP were appointed on 12 April 2016. RSM UK Audit LLP have expressed their willingness to continue in office as auditors for the year. A resolution to reappoint them will be presented at the forthcoming AGM.

Signed on behalf of the directors

Richard Moulson

Director

Registered office:

Liverpool Science Park Innovation Centre 2,
146 Brownlow Hill,
Liverpool,
Merseyside,
L3 5RF

Approved by the directors on 22nd September 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 MARCH 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Opinion on financial statements
We have audited the financial statements on pages 9 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Respective responsibilities of directors and auditor
As more fully explained in the Directors' Responsibilities Statement set out on page 7, 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.

RSM UK Audit LLP

GRAHAM BOND FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 9AG

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EVGEN LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2017

	Note	2017 £000	*2016 £000*
Operating expenses			
Operating expenses		(2,288)	*(1,243)*
Share based compensation		(3)	*(146)*
Non-recurring administrative expenses		-	*(85)*
Operating loss	2	(2,291)	*(1,474)*
Finance expense	5	-	*(320)*
Loss on ordinary activities before taxation		(2,291)	*(1,794)*
Tax on loss on ordinary activities	6	576	*85*
Loss and total comprehensive loss for the financial year		(1,715)	*(1,709)*

All of the activities of the company are classed as continuing.

EVGEN LIMITED
Registered Number 06403643

BALANCE SHEET

31 MARCH 2017

	Note	2017 £000	2017 £000	*2016 £000*	*2016 £000*
Fixed assets					
Intangible assets	7		128		*74*
Tangible assets	8		11		*6*
Current assets					
Debtors	9	684		*140*	
Cash at bank		173		*69*	
		857		*209*	
Creditors: Amounts falling due within one year	10	(5,458)		*(3,039)*	
Net current liabilities			(4,601)		*(2,830)*
Total assets less current liabilities			(4,462)		*(2,750)*
Net liabilities			(4,462)		*(2,750)*
Capital and reserves					
Called-up share capital	11		37		*37*
Share premium			2,103		*2,103*
Share based compensation			615		*612*
Profit and loss account			(7,217)		*(5,502)*
Shareholders' deficit			(4,462)		*(2,750)*

These accounts were approved by the directors and authorised for issue on 22nd September 2017 and are signed on their behalf by:

Richard Moulson
Director

EVGEN LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2017

	Share capital	Share premium	Shares to be issued	Share based compensation	Profit & loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2015	**37**	**2,103**	**1,750**	**466**	**(5,543)**	**(1,187)**
Total comprehensive loss for the year	-	-	-	-	(1,709)	(1,709)
Transactions with owners						
Equity element of loan note	-	-	(1,750)	-	1,750	-
Share based compensation	-	-	-	146	-	146
At 31 March 2016	**37**	**2,103**	**-**	**612**	**(5,502)**	**(2,750)**
Total comprehensive loss for the year	-	-	-	-	(1,715)	(1,715)
Transactions with owners						
Share based compensation	-	-	-	3	-	3
At 31 March 2017	**37**	**2,103**	**-**	**615**	**(7,217)**	**(4,462)**

1. Accounting policies

General information

Evgen Limited is incorporated and domiciled in England and Wales. The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound thousand (£'000) except when otherwise indicated.

Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and under the historical cost convention.

In accordance with FRS 101, the Company has taken advantage of the exemptions from the following disclosure requirements:

- IFRS 2 'Share based payments' – Available disclosure exemptions
- IFRS 7 'Financial Instruments: Disclosures' – Carrying amounts, fair values, interest income/expense and net gains/ losses for each category of financial instrument, risks associated with financial instruments (including management of risks, maximum credit risk, credit quality of financial assets, analysis of financial assets past due or impaired, maturity analysis for financial liabilities, sensitivity analysis for market risks)
- IFRS 13 'Fair Value Measurement' – The fair value hierarchy, fair value measurements, (including valuation technique(s) and inputs), if the highest and best use of a non-financial asset differs from its current use, the reason for non-recurring fair value measurements, for Level 3 fair value measurements; unrealised fair value gains/losses in the period, the valuation process and sensitivity analysis
- IAS 1 'Presentation of Financial Statements' – Comparative reconciliations of the opening and closing number of shares and carrying amounts of property, plant and equipment, and intangible assets, objectives, policies and processes for managing capital
- IAS 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – IFRSs that will impact future periods
- IAS 24 'Related Party Disclosures' – Compensation for key management personnel
- IAS 36 'Impairment of Assets' – Key assumptions in the measurement of the recoverable amount of assets and reasonable changes in those assumptions that result in impairment, where recoverable amount is based on fair value less costs of disposal; the valuation technique(s) used, and if fair value is not measured using a quoted price for an identical unit; the level in the fair value hierarchy, any change in the valuation technique(s) and the reason for the change

The financial statements of the Company are consolidated in the financial statements of Evgen Pharma plc. The consolidated financial statements of Evgen Pharma plc are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

1. Accounting policies (continued)

Changes in accounting policy and disclosures

There are no changes to IFRS effective in 2017 which have a material impact on the Company.

Significant estimates and judgements

In preparing its financial statements, the Company has made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Company periodically monitors such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are addressed below:

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 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.

At 31 March 2017, the Company had cash and cash equivalents, including short-term investments and cash on deposit, of £0.2 million. The Company relies on its parent company, Evgen Pharma plc, for funding. After making enquiries and taking into account management's estimate of future revenues and expenditure, the Directors have a reasonable expectation that Evgen Pharma plc will have adequate financial resources to enable the Company to continue in operation for the foreseeable future.

The Directors estimate that the cash held by the Evgen 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.

On the basis of the above and the continued financial support from the Company's parent entity, Evgen Pharma plc, the Directors have adopted the going concern basis of accounting in preparing the financial statements.

1. Accounting policies (continued)

Currencies
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 Income Statement. 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

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.

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 Income Statement. At each reporting date, the Company 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 Company'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 Company. The Company does not currently have any such internal development costs that qualify for capitalisation as intangible assets.

1. Accounting policies (continued)

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 Income Statement 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 Balance Sheet.

(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 Income Statement 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.

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 Income Statement 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 company did not operate a pension scheme during 2016 or 2017.

1. Accounting policies (continued)

Share-based compensation
The Company issues share based payments to certain employees and directors. Equity-settled share-based 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 Company 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 Income Statement, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Black-Scholes model, taking into consideration the best estimate of the expected life of the option 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 Company. The Company 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 Income Statement and Balance Sheet.

Financial instruments
Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company 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 Income Statement when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

1. Accounting policies (continued)

Cash and cash equivalents
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.

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.

Classification as debt or equity
Debt and equity instruments issued by the Company 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 Company are recognised at the proceeds received, net of direct issue costs.

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 Income Statement.

2. Operating loss

Operating loss is stated 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	2,070	376
Staff costs	22	235
Establishment and general:		
Depreciation of property, plant and equipment	-	1
Operating lease cost – land and buildings	-	3
Foreign exchange (gain)/loss	(14)	2
Auditor's remuneration - audit of the financial statements	14	14
Other administrative expenses	185	751
Non-recurring administrative expenses - parent company IPO	-	85
Total operating expenses	**2,291**	**1,474**

4. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017 £000	*2016 £000*
Remuneration receivable	-	55
Social security costs	-	7
	-	62

The number of directors accruing benefits under company pension schemes was as follows:

	2017 No	*2016 No*
Money purchase schemes	-	-

From October 2015, all directors remuneration was paid by the parent company, Evgen Pharma plc.

5. Finance expense

	2017	2016
	£000	£000
Interest payable on fair value of loan notes	-	320

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2017	2016
	£000	£000
Current tax		
UK Corporation tax based on the results for the year at 20% (2016 - 20%)	-	-
Adjustments in respect of previous periods	1	
R&D tax credit	575	85
Net tax credit	576	85

(b) Factors affecting total tax charge

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

	2017	2016
	£000	£000
Loss on ordinary activities before taxation	(2,291)	(1,794)
Loss on ordinary activities by rate of tax	(458)	(359)
Effects of:		
Losses not recognised	458	359
Prior year adjustments	(1)	-
R&D tax credit	(575)	(85)
Tax credit for the year	(576)	(85)

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

7. Intangible fixed assets

	Licences £000
Cost	
At 1 April 2016	100
Additions	68
At 31 March 2017	168
Depreciation	
At 1 April 2016	26
Charge for the year	14
At 31 March 2017	40
Net book value	
At 31 March 2017	128
At 31 March 2016	*74*

8. Tangible fixed assets

	Fixtures & Fittings £000	Computer Equipment & Software £000	Total £000
Cost			
At 1 April 2016	1	10	11
Additions	1	6	7
At 31 March 2017	2	16	18
Depreciation			
At 1 April 2016	1	4	5
Charge for the year	-	2	2
At 31 March 2017	1	6	7
Net book value			
At 31 March 2017	1	10	11
At 31 March 2016	*-*	*6*	*6*

9. Debtors

	2017	*2016*
	£000	*£000*
Trade debtors	-	*3*
Other receivables	18	*12*
Current tax receivable	660	*115*
Prepayments and accrued income	6	*10*
	684	*140*

10. Creditors: Amounts falling due within one year

	2017	*2016*
	£000	*£000*
Trade creditors	84	*78*
Amounts owed to group undertakings	5,177	*2,832*
Accruals and deferred income	197	*129*
	5,458	*3,039*

11. Share capital

Allotted, called up and fully paid:

	2017		*2016*	
	No	**£000**	*No*	*£000*
Ordinary shares of £1 each	12,596	13	*12,596*	*13*
Ordinary A shares of £1 each	18,849	19	*18,849*	*19*
Ordinary B shares of £1 each	5,017	5	*5,017*	*5*
	36,462	37	*36,462*	*37*

12. Ultimate parent company and controlling party

The directors consider Evgen Pharma plc, a company registered in England and Wales, to be the ultimate parent company.

Copies of the financial statements of Evgen Pharma plc are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

13. Transactions with related parties

During the year ended 31 March 2017, the Company 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 Company purchased consultancy and accounting services totalling £44,106 (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).