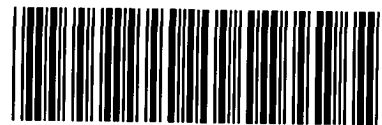


Company Registration Number 06403643

**EVGEN LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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COMPANIES HOUSE

EVGEN LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 MARCH 2018

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

EVGEN LIMITED
STRATEGIC REPORT
YEAR ENDED 31 MARCH 2018

Principal activities and business review

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

Evgen's ambition is to be the world leader in sulforaphane and sulforaphane-like compounds, establishing a leading position in 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;
- 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.

The Company has focussed on the clinical development of our lead product candidate, SFX-01, during the past year. We are testing SFX-01 in two indications – metastatic breast cancer and sub-arachnoid haemorrhage - and enrolled circa two thirds of patients in both trials. In parallel both our own research collaborators, and academics elsewhere, have made considerable progress in understanding the mechanisms of action of sulforaphane in different disease models.

STEM is a 60 patient open label study in metastatic breast cancer being conducted across Europe. We reported in May treatment outcomes for the first 20 patients to have completed the trial and we are delighted that 6 patients (30%) entered the compassionate use programme. Of these, four (20%) showed clinical benefit. Given that this patient group has failed all previous therapies and come onto the study with confirmed progressive disease we believe this to be a significant result.

SAS is a randomised, double blind, placebo-controlled study recruiting 90 patients in subarachnoid haemorrhage ("SAH") at three centres. Being a blinded trial, data will become available only when recruitment is complete. Nevertheless, we can say that SFX-01 is demonstrating a benign safety and tolerance profile, particularly when compared with other therapies in the breast cancer and SAH areas.

Our collaborators at the University of Manchester presented data in January showing that SFX-01 targets cancer stem cells in metastatic breast cancers and potently suppresses a key target believed to account for resistance to endocrine therapy. These findings add further support to our presumed mechanism of action for SFX-01 in breast cancer. Similarly, and in parallel, scientists at Imperial College with whom we are collaborating, and elsewhere, have provided further evidence that SFX-01 upregulates Nrf2, which improves outcomes in pre-clinical models of SAH.

Our intellectual property (IP) platform around sulforaphane continues to grow with the grant of our first European patent, and data from work at Liverpool University identified a number of sulforaphane analogues which could be developed as second generation oncology products, over which we have exclusive license.

EVGEN LIMITED
STRATEGIC REPORT
YEAR ENDED 31 MARCH 2018

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: (2017: £0.2m) : £0.1m

Evgen Pharma plc raised equity funding in December 2017 which is held at the parent company level unless required.

Loss before tax: (2017: £2.3m) £1.9m

The operating loss reflects pre-clinical and clinical activity in the year and related product manufacture.

Losses

The total loss for the year was £1.5m (31 March 2017: £1.7m. Operating expenses reduced to £1.9m (2017: £2.3m) principally because the costs of the ongoing clinical trials of SFX-01 are in part front-end loaded due to set-up costs which were incurred in 2017, and because the SAH clinical trial was put on temporary hold for six months during the year.

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 2018 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.

EVGEN LIMITED
STRATEGIC REPORT
YEAR ENDED 31 MARCH 2018

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 raised 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 12 June 2018

EVGEN LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements of the company for the year ended 31 March 2018.

Results and dividends

The loss for the year, after taxation, amounted to £1,533,000 (2017: £1,715,000). 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

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 12 June 2018

EVGEN LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 MARCH 2018

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 himself 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVGEN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVGEN LIMITED

Opinion

We have audited the financial statements of Evgen Limited (the 'company') for the year ended 31 March 2018 which comprise the statement of total comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements concerning the company's ability to continue as a going concern. The company is reliant upon the continued financial support of its parent company, Evgen Pharma plc. 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 fund raising does not occur in the short to medium term they would have an immediate requirement to seek alternative sources of funding. As stated in note 1, these events or conditions, along with other matters set forth in note 1, indicate that a material uncertainty exists that may cast doubt on the group's and therefore the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVGEN LIMITED

- 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 material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

As explained more fully 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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


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

13 June 2018

EVGEN LIMITED
STATEMENT OF TOTAL COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Operating expenses			
Operating expenses		(1,897)	(2,288)
Share based compensation		-	(3)
Operating loss	2	<u>(1,897)</u>	<u>(2,291)</u>
Loss on ordinary activities before taxation		<u>(1,897)</u>	<u>(2,291)</u>
Tax on loss on ordinary activities	5	364	576
Loss and total comprehensive loss for the financial year		<u><u>(1,533)</u></u>	<u><u>(1,715)</u></u>

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

EVGEN LIMITED
Registered Number 06403643

BALANCE SHEET

31 MARCH 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	6	113	128
Tangible assets	7	12	11
Current assets			
Debtors	8	380	684
Cash at bank		127	173
		<u>507</u>	<u>857</u>
Creditors: Amounts falling due within one year	9	<u>(6,627)</u>	<u>(5,458)</u>
Net current liabilities		(6,120)	(4,601)
Total assets less current liabilities		<u>(5,995)</u>	<u>(4,462)</u>
Net liabilities		<u>(5,995)</u>	<u>(4,462)</u>
Capital and reserves			
Called-up share capital	10	37	37
Share premium		2,103	2,103
Share based compensation		615	615
Profit and loss account		(8,750)	(7,217)
Shareholders' deficit		<u>(5,995)</u>	<u>(4,462)</u>

These accounts were approved by the directors and authorised for issue on 12 June 2018 and are signed on their behalf by:



Richard Moulson
Director

EVGEN LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2018

	Share capital	Share premium	Share based compensation	Profit & loss account	Total equity
	£000	£000	£000	£000	£000
At 1 April 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)
Total comprehensive loss for the year	-	-	-	(1,533)	(1,533)
Transactions with owners					
Share based compensation	-	-	-	-	-
At 31 March 2018	37	2,103	615	(8,750)	(5,995)

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

1. Accounting policies

General information

Evgen Limited is a private company limited by shares, incorporated and domiciled in England and Wales. The address of its registered office is Liverpool Science Park Innovation Centre 2, 146 Brownlow Hill, Liverpool, Merseyside L3 5RF. 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.

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

1. Accounting policies (continued)

Changes in accounting policy and disclosures

There are no changes to IFRS effective in 2018 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.

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 to the end of December 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.

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

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, from the month they are first used, as follows:

Plant, fixtures and fittings – 3 years reducing balance

IT Equipment – 3 years straight line

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.

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

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, including R&D tax credits, 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 makes contributions to the private pension schemes of Directors and employees.

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

1. Accounting policies (continued)

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.

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

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.

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

2. Operating loss

Operating loss is stated after charging/(crediting):

	Year Ended 31 March 2018 £'000	Year Ended 31 March 2017 £'000
Research and development expenses:		
Amortisation of licences	15	14
Other research and development	1,660	2,070
Staff costs	22	22
Establishment and general:		
Foreign exchange (gain)/loss	(1)	(14)
Auditor's remuneration - audit of the financial statements	14	14
Other administrative expenses	187	185
Total operating expenses	1,897	2,291

3. Particulars of employees

The average number of staff employed by the Company during the financial year amounted to:

	2018 No	2017 No
Number of staff	1	1

The aggregate payroll costs of the above were:

	2018 £000	2017 £000
Wages and salaries	19	18
Social security costs	2	1
Pension contributions	1	-
Share based compensation	-	3
	22	22

4. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was nil.

All directors' remuneration is paid by the parent company, Evgen Pharma plc. The Company paid

no remuneration of any nature, including pension contributions, to the directors during the year.

EVGEN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

5. Taxation on ordinary activities

(a) Analysis of charge in the year

	2018	2017
	£000	£000
<i>Current tax</i>		
UK Corporation tax based on the results for the year at 19% (2017 - 20%)	-	-
Adjustments in respect of previous periods	3	1
R&D tax credit	361	575
Net tax credit	<u>364</u>	<u>576</u>

(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:

	2018	2017
	£000	£000
Loss on ordinary activities before taxation	<u>(1,897)</u>	<u>(2,291)</u>
Loss on ordinary activities by rate of tax	(360)	(458)
Effects of:		
Losses not recognised	360	458
Prior year adjustments	(3)	(1)
R&D tax credit	(361)	(575)
Tax credit for the year	<u>(364)</u>	<u>(576)</u>

The Company has an unrecognised deferred tax asset of £1.1m (2017 - £0.9m) related to accumulated tax losses. These assets are not recognised due to the uncertainty in the timing of crystallisation.

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

6. Intangible fixed assets

	Licences £000
Cost	
At 1 April 2017	168
Additions	-
At 31 March 2018	<u>168</u>
Amortisation	
At 1 April 2017	40
Charge for the year	15
At 31 March 2018	<u>55</u>
Net book value	
At 31 March 2018	<u>113</u>
At 31 March 2017	<u>128</u>

7. Tangible fixed assets

	Fixtures & Fittings £000	Computer Equipment & Software £000	Total £000
Cost			
At 1 April 2017	2	16	18
Additions	-	7	7
At 31 March 2018	<u>2</u>	<u>23</u>	<u>25</u>
Depreciation			
At 1 April 2017	1	6	7
Charge for the year	-	6	6
At 31 March 2017	<u>1</u>	<u>12</u>	<u>13</u>
Net book value			
At 31 March 2018	<u>1</u>	<u>11</u>	<u>12</u>
At 31 March 2017	<u>1</u>	<u>10</u>	<u>11</u>

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

8. Debtors

	2018	2017
	£000	£000
Other receivables	17	18
Current tax receivable	361	660
Prepayments and accrued income	2	6
	<u>380</u>	<u>684</u>

9. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	54	84
Amounts owed to group undertakings	6,432	5,177
Accruals and deferred income	141	197
	<u>6,627</u>	<u>5,458</u>

10. Share capital and reserves

Allotted, called up and fully paid:

	2018		2017	
	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
	<u>36,462</u>	<u>37</u>	<u>36,462</u>	<u>37</u>

On 12 June 2018 special resolutions of the Company were passed redesignating the Ordinary A and Ordinary B shares as Ordinary Shares such that all shares in the Company rank pari passu in all respects.

Reserves

The share premium reserve represents the difference between the net proceeds of equity issues and the nominal share capital of the shares issued.

The share-based compensation reserve reflects the aggregate fair value of equity-settled share-based payment transactions.

Reserves classified as retained deficit represent accumulated losses. None the reserves are distributable.

EVGEN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

11. 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.

12. Transactions with related parties

During the year ended 31 March 2018, the Company purchased services totalling £187,822 from The Clinical Trial Company, a company of which Richard Moulson, a director is also a director. The amount owed to The Clinical Trial Company Limited at 31 March 2018 was £2,077.