



DELIVERING STABILITY  
THROUGH INNOVATION

Our pipeline is based on our proprietary Sulforadex<sup>®</sup> 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<sup>®</sup> technology to turn this scientific promise into commercially successful products, addressing important clinical needs.

#### **REVIEW OF THE YEAR**

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## CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

### OVERVIEW

We are extremely pleased by the significant progress Evgen Pharma plc ("Evgen Pharma", the "Company" or the "Group") has made in the year ended 31 March 2016. Highlights of the year included oversubscribed fundraisings in the form of a pre-IPO investment round (£2m in gross proceeds) and the subsequent IPO in October 2015 (£7m in gross proceeds). The year has been transformational for the business as we now have sufficient capital to complete two Phase II clinical trials on lead product SFX-01; these trials represent the most significant value inflexion points since the Group commenced operations in 2008.

During the year, our long-standing collaboration with the Cancer Research UK Manchester Institute resulted in the presentation of promising data showing SFX-01 reducing cancer stem cells in patient-derived breast cancer tissue in xenograft models. This preclinical data underpins the rationale for STEM (SFX-01 in the Treatment and Evaluation of Metastatic Breast Cancer), a Phase II clinical study that is expected to start recruitment later this year.

During the reporting period, we secured MHRA Clinical Trial Approval, for SAS (SFX-01 After Subarachnoid Haemorrhage), a Phase II clinical study that has now commenced patient recruitment and treatment.

On the preclinical side, the study on SFX-01 versus BG-12 (Biogen's Tecfidera®) in various in vivo models of RR-MS (relapsing remitting multiple sclerosis) has commenced and is due to report in the latter part of 2016.

During the year, we have also expanded our pipeline by in-licensing a range of novel analogues based on sulforaphane, the active principle of SFX-01. We would like to take this opportunity to announce that this month we initiated a new collaboration between the University of Seville, the Spanish National Research Council (CSIC) and the University of Liverpool in the UK. This collaboration will synthesise, and subsequently screen, novel analogues with a view to identifying the most promising compounds to expand the Company's therapeutic pipeline.

The outlook for Evgen Pharma is positive, with all programmes on track and with sufficient capital to complete the two principal Phase II trials.

**Barry Clare**  
Chairman

27 May 2016

**Dr Stephen Franklin**  
Chief Executive Officer

27 May 2016

# STRATEGIC REPORT

## OPERATIONAL REVIEW

The Directors present their Strategic Report for the year ended 31 March 2016. The Operational Review, Key Performance Indicators and Principal Risks and Uncertainties sections form part of the Strategic Report.

## BACKGROUND

The Evgen Pharma business opportunity is built around a naturally occurring compound called sulforaphane. Sulforaphane can be derived at relatively low and variable levels from the consumption of brassica plants, such as broccoli. Glucoraphanin (the stable precursor molecule) converts to sulforaphane when the plant tissue is damaged and this conversion typically starts in the mouth and continues in the digestive tract of mammals, including people.

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. Sulforaphane has been shown to have anti-cancer and neuroprotective qualities in a wide range of preclinical and/or 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. The development of a concentrated form of pure sulforaphane – of the sort that could be presented in a tablet or similar medicinal format – has been held back due to its inherent instability. 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. The Company's patent-protected Sulforadex® technology enables the scalable manufacturing of synthetic sulforaphane stabilised in a novel composition. The stabilised composition is also a solid powder and can easily be formulated into pills and other medicinal formats. The Sulforadex® technology is also applicable to novel compounds based upon the core sulforaphane structure, giving the Group the opportunity to develop a broad clinical pipeline and to become the world leader in sulforaphane and sulforaphane-like pharmaceuticals.

Evgen Pharma secured exclusive rights to Sulforadex® in 2011 and rapidly began building a company with a capital efficient business model and a highly experienced team to exploit the therapeutic potential of sulforaphane. The initial product to use the Sulforadex® technology is code-named SFX-01, which is 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. Novel analogues of sulforaphane are also being synthesised and screened with a view to identifying the most promising compounds and expanding the Group's pipeline.

## OBJECTIVE AND STRATEGY

The Group'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 two Phase II clinical studies: SAS and STEM (see below);
- commercially appraise and, if appropriate, develop new investment propositions for future 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 the Group's 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 Phase II clinical studies have reported;
- in due course, opportunistically diversify the product pipeline, where the Directors believe such opportunities have a good strategic fit.

## GROUP SPONSORED PROGRAMMES

The Group is initially focussing 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; and
- SAS (SFX-01 After Subarachnoid Haemorrhage – SAH), a 90 patient trial in the UK.

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

## INVESTIGATOR-INITIATED STUDIES

In addition to the Group's core in-house programmes, we will continue to support investigator-initiated studies (completely or largely funded by the investigator) to help contribute to the fundamental scientific understanding of sulforaphane and thereby demonstrating the potential wider utility of SFX-01 and related analogues.

The Group has previously supported research by Professor Andrew Pitsillides (Professor of Skeletal Dynamics at the RVC, London) into the benefits of SFX-01 in osteoarthritis. During the year, that data was presented at the 4th Joint Meeting of European Calcified Tissue Society (ECTS) and the International Bone and Mineral Society (IBMS) in Rotterdam. The positive results found that osteoarthritic mice treated with SFX-01 had significantly improved bone architecture, gait balance and movement in comparison with an untreated sample group.

We are pleased to report that this month we entered into a new collaboration with Professor Antonio Cuadrado at the Autonomous University of Madrid where SFX-01 will be tested in some leading-edge models of Parkinson's Disease. Professor Cuadrado has previously published on the therapeutic potential of sulforaphane in Parkinson's Disease; research that was grant funded by the Michael J Fox Foundation.

## PIPELINE

### *SFX-01 IN BREAST CANCER (STEM: SFX-01 IN THE TREATMENT AND EVALUATION OF METASTATIC BREAST CANCER)*

According to World Cancer Research Fund International, breast cancer is the most common cancer globally, with nearly 1.7 million new cases diagnosed in 2012, and is the second most common cause of cancer death. This represents about 12% of all new cancer cases and 25% of all cancers in women. 70-75% of breast cancers express the estrogen receptor (ER), and are amenable to treatment with endocrine therapies.

However, the emergence of resistance to treatment and progression of disease is common, occurring in up to 50% of patients. It is thought that this is due, in a large part to hormone independent cancer stem cells. Therefore, when conventional therapies targeting cancer cells are used leaving the cancer stem cells unimpaired, there is a high chance of developing resistance and the patient progressing.

Evgen Pharma is very fortunate to have been working with the Cancer Research UK Manchester Institute since 2012. Earlier this year, this collaboration resulted in the presentation of promising data showing SFX-01 reducing 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 reduce the population of the hormone independent cancer stem cells. The data was presented at the American Association of Cancer Research annual conference in Philadelphia in April 2015.

STEM, a Phase II clinical trial, will investigate oral SFX-01 in combination with different hormone-based therapies (tamoxifen, aromatase inhibitors or fulvestrant) and is expected to begin recruiting later this year at Manchester's Christie Hospital NHS Foundation Trust and a number of other sites across Europe. The trial, in about 60 patients with ER+ metastatic breast cancer, will assess the potential reversal of resistance to hormone therapy and the impact on clinical benefit. The trial is designed to also create the opportunity to potentially stratify and help select patients best suited for treatment with SFX-01.

### *SFX-01 IN SUBARACHNOID HAEMORRHAGE (SAS: SFX-01 AFTER SUBARACHNOID HAEMORRHAGE)*

Subarachnoid haemorrhage (SAH) is a form of stroke, characterised by a bleed into the subarachnoid space around the outside of the brain. It is a relatively rare condition, accounting for around 5% of strokes in the UK each year. Owing to this rarity, SFX-01 could be eligible for orphan designation in Europe and the USA in this indication.

The Phase II trial, SAS, is a randomised, double blind, placebo controlled study comparing oral SFX-01 with placebo. The trial will recruit 90 patients, 45 in each treatment arm with all patients receiving nimodipine, the current standard of care. Patients will be dosed within 48 hours of experiencing SAH and approval has also been obtained in this study to provide for emergency dosing prior to consent. The primary endpoints include safety, pharmacokinetics and efficacy.

Nimodipine 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 (commissioned by a US peer) 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 potentially represents a new class of drug in aneurysmal SAH with a mechanism of action that specifically targets the Nrf2 pathway, which in turn reduces the oxidative stress and the toxicity caused by free haemoglobin from the haemorrhage. Sulforaphane, the active ingredient of SFX-01, has been shown to be neuroprotective in multiple models of cerebral damage, including SAH.

SAS recruited its first patient on 30 April 2016. It is expected to report in H1 2018 (calendar year). Further details of the study are available at: <https://clinicaltrials.gov/ct2/show/study/NCT02614742>

The Chief Investigator is Mr Diederik Bulters, Consultant Neurosurgeon and Honorary Senior Clinical Lecturer, at the Wessex Neurological Centre in Southampton.

### **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's oral treatment for multiple sclerosis, BG-12 known as Tecfidera®. In April, Biogen announced first-quarter sales of \$946 million for Tecfidera®, up 15% from last year. The preclinical study on SFX-01 versus BG12 (Biogen's Tecfidera®) in various animal models of RR-MS (relapsing remitting multiple sclerosis) has commenced and is due to report in the latter part of 2016.

### **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 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 created a range of novel compounds based upon the sulforaphane core structure. In the year under review, Evgen Pharma announced that it had exercised its option to in-license the Seville intellectual property presenting the Group with more than 60 new chemical entities based upon sulforaphane. Patent protection for these compounds is pending in Europe, United States, China, Japan, Australia, and Canada and is already granted in Spain. This month saw the initiation of a new collaboration between Evgen Pharma, University of Seville, the Spanish National Research Council (CSIC) and the University of Liverpool (UK) – the objective being to synthesise new compounds and screen for activity, with the first results expected in early 2017.

# STRATEGIC REPORT

continued

## KEY PERFORMANCE INDICATORS

The Group's Key Performance Indicators include a range of financial and non-financial measures. Details about the progress of our development programs (non-financial measures) are included elsewhere in this Operational Review, and below are the other indicators (financial measures) considered pertinent to the business.

	2015 (£m)
<b>Year-end cash and short-term investments and cash on deposit held – £7.1m</b>	<b>0.2</b>

Increase in year-end cash held following equity placings in August and October 2015.

	2015 (£m)
<b>Cash flows (including short-term investments) – Net inflow/(outflow) of £6.9m</b>	<b>(0.2)</b>

Reflecting the successful equity placings in August and October 2015.

	2015 (£m)
<b>Operating loss – £2.7m</b>	<b>1.2</b>

Reflecting the increased activity since admission to AIM in October 2015.

## PEOPLE

We were delighted to welcome Dr Alan Barge to the Board as a Non-Executive Director at the time of our admission to AIM in October. Alan who has worked in a consultancy role with Evgen Pharma since 2013, is a highly experienced pharmaceutical executive with particular experience of oncology. He is currently Chief Medical Officer at Singapore-based ASLAN Pharmaceuticals PTE and a former Clinical Vice President and Head of Oncology and Infection at AstraZeneca. Alan was recently appointed the Company's Interim Chief Medical Officer following the departure of Dr Hamina Patel who had been part-time Chief Medical Officer since January 2016.

We would also like to take this opportunity to welcome David Chadwick, who recently joined the Group as our Senior Clinical Study Manager having previously worked as Senior Clinical Project Manager for Quintiles.

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.

## OUTLOOK

The outlook for Evgen Pharma is positive, with all programmes on track and with sufficient capital to complete the two principal Phase II trials.

The STEM trial is expected to receive a Clinical Trial Approval in the summer and is anticipated to commence recruitment later in 2016. STEM is expected to report in the first half of 2018 although interim efficacy readouts are possible with the trial design. The success of the IPO in 2015 has allowed us to expand the scope of the STEM Trial which is now going to be a multi-centre study (c. 60 patients) looking at SFX-01 in combination with three different endocrine therapies.

The SAS trial is also scheduled to report in the first half of 2018 and is expected to have an interim safety read out in late 2016.

We look forward to the future with confidence.

This report was approved by the Board of Directors on 27 May 2016 and signed on behalf of the Board of Directors by:

**Barry Clare**  
Chairman

27 May 2016

**Dr Stephen Franklin**  
Chief Executive Officer

27 May 2016

## FINANCIAL REVIEW

The financial performance for the year ended 31 March 2016 was in line with expectations.

### Losses

The total loss for the year was £3.1m (31 March 2015: £2.3m) including a charge for share based compensation of £0.5m (2015: £0.2m) and a finance charge related to a convertible loan of £0.8m (31 March 2015: £1.1m). Non-recurring administration expenses are composed of warrant charges (£0.3m) and IPO costs (£0.4m) (31 March 2015: aborted IPO costs £0.3m)

### Share based compensation

As part of the IPO process, a number of share options were granted to Directors and key personnel. This had no cash impact on the results for the year, however accounting standards required this share based compensation to be recognised in the Consolidated Statement of Comprehensive Income, resulting in a charge of £0.5m (2015: £0.2m). In addition share based compensation of £0.3m (2015 - £nil) has been recognised in the Consolidated Statement of Comprehensive Income in connection with the issue of warrants at IPO.

### Headcount

Average headcount of the Group for the year was 7 (2015: 7).

### Taxation

The Group has elected to claim research and development tax credits under the small or medium enterprise research and development scheme.

### Convertible loans

At the time of the admission to AIM convertible loans of £1.8m were converted to equity.

### Share capital

Evgen Pharma plc was incorporated on 2 October 2014 and on that date 1 ordinary share of £2.00 was issued at par.

On 5 December 2014 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 each were allotted and issued to the shareholders of Evgen Limited.

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

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 each was converted into 800 A shares of £0.0025 each and ordinary B share of £2.00 each 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 AIM, 18,918,919 ordinary shares of £0.0025 were issued at a price of £0.37 raising £7 million which after 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.

### Cash flows and financial position

The cash position (including short-term deposits) at 31 March 2016 increased to £7.1m (31 March 2015: £0.2m), reflecting the successful completion of an equity fund raising in August 2015 which raised £2.0m (£1.9m after expenses) and the fact that on 21 October 2015 the Company was admitted to trading on AIM after raising £7m (£6.3m after expenses) in an oversubscribed placing. On admission the convertible loan and associated accrued interest was converted into ordinary shares of £0.0025 each.

### 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 2016 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.

# FINANCIAL REVIEW

*continued*

## **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.

## **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 raised 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.

## THE BOARD OF DIRECTORS

### **BARRY CLARE** Executive 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 Proxavis 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.

### **JOHN BRADSHAW** Finance Director

John is a qualified chartered accountant with over 20 years' post-qualification experience working as a finance director for UK quoted and venture capital owned companies. John trained with Arthur Andersen, where he worked from 1986 until 1997, when he joined Gyrus Group plc as finance director ahead of its flotation on the Official List. Since leaving Gyrus in 2001, John acted as finance director for Analysys Limited, TeraView Limited and HCEG plc and since 2006 has provided interim and part time finance director services to start-up and other venture capital funded companies, since 2012 through Bradshaw Daniel Limited. John is also a non-executive director of Ixico plc, where he serves as Chairman of the Audit Committee. John became a director of Evgen Pharma plc in November 2014.

### **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 is currently 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 MARK WYATT** Non-Executive Director

Mark is employed as an Investment Director by Enterprise Ventures Limited where he has a particular focus on investments in the life sciences sector. He has over 15 years' experience working in venture capital and has previously held senior positions at Merlin Biosciences and Imperial Innovations, both specialist life science investors. He has board level experience in both private and public companies. Mark has a PhD from the Glaxo Institute of Applied Pharmacology at Cambridge University, and is a Sainsbury's Management Fellow in Life Sciences, receiving an MBA from Warwick. Mark was appointed a non-executive director of Evgen Limited in June 2012 and became a director of Evgen Pharma plc in November 2014.

### **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 of the Executive Chairman, two other Executive Directors and four 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 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, Mark Wyatt 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 monthly 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 question management in more detail.

# DIRECTORS' REPORT

## for the year ended 31 March 2016

### Financial Statements

The Directors of Evgen Pharma plc (registered in England and Wales: 09246681) present their report together with the audited consolidated financial statements for the year ended 31 March 2016 and the Company financial statements for the period from incorporation 2 October 2014 to 31 March 2016.

### 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	Executive Chairman	Appointed 2 October 2014
John Bradshaw	Chief Financial Officer	Appointed 21 November 2014
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
Mark Wyatt	Non-Executive Director	Appointed 21 November 2014

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 4.

### 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 2016 are presented on page 17. The Group's net loss after tax for the year was £3.1m (2015 - £2.3m).

### 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 to 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 24 June 2016 authority will be sought from shareholders to allow the Directors to allot relevant securities up to an aggregate nominal value of £60,952, representing one-third of the issued share capital, and to allot for cash equity securities having a nominal value not exceeding in aggregate £18,285 (being 10% of the issued share capital).

### Substantial shareholdings

At 27 May 2016, 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	6,485,000	8.9
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
Beaufort Securities Limited	2,457,568	3.4

# DIRECTORS' REPORT

for the year ended 31 March 2016 *continued*

## Going concern

At 31 March 2016, the Group had cash and cash equivalents, including short-term investments and cash on deposit, of £7.1 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.

## 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 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 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.

## Annual General Meeting

The notice convening and giving details of the 2016 AGM of the Company to be held at the offices of RSM UK Audit LLP, 3 Hardman Street, Manchester M3 3HF on 24 June 2016 has been sent to shareholders.

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

## Dr Stephen Franklin

Chief Executive Officer

27 May 2016

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 met twice since admission to AIM.

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.

Prior to Admission the Remuneration Committee reviewed the executive remuneration arrangements and in particular the incentive arrangements to ensure that they were competitive and to enable the Company to retain and recruit senior executives of the right calibre in an AIM listed company environment. As a result of the review the Company adopted the following share plans on Admission:

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

The introduction of these plans is designed to bring the remuneration policy in line with market practice for an AIM listed company and ensure greater 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 2016 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

#### CURRENT BONUS

Executive Directors and other senior executives participate in a discretionary annual bonus plan. Bonus payments may be made in cash at the discretion of the Remuneration Committee.

#### NEW ANNUAL BONUS

As part of the review of executive remuneration arrangements the Committee has introduced a new annual bonus plan for the Executive Directors and other senior executives which will operate for the financial year ending 31 March 2017. The maximum annual bonus entitlement for Executive Directors under the plan is 50% 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 2017 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 the new annual bonus represents 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 are currently provided to the CEO only.

### 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

details of which were set out in the Admission Document.

Further details of outstanding options under these arrangements are as set out on pages 36 and 37.

#### 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.

As disclosed in the Admission Document, the LTIP allowed for initial IPO retention awards to be granted to the Executive Directors in the form of nil cost options to be made up to a maximum individual limit of 300% of salary. 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 certain 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 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
Barry Clare	14 October 2015	12 months
John Bradshaw	14 October 2015	12 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
Susan Foden	14 October 2015	Three years
Alan Barge	14 October 2015	Three years
Mark Wyatt	14 October 2015	Three years
Marc d'Abbadie	14 October 2015	Three years

## Directors' remuneration during the year ended 31 March 2016

The Directors received the following remuneration during the year<sup>1</sup>:

	Salaries and fees £	Taxable benefits £	Bonuses £	LTIP £	Pension contributions £	Total year ended 31 March 2016 £	Salaries and fees £	Pension contributions £	Total year ended 31 March 2015 £
<b>Executive</b>									
Stephen Franklin	117,746	736	19,336	144,000	6,426	<b>288,244</b>	95,000	—	95,000
Barry Clare <sup>2</sup>	36,248	—	40,000	54,000	—	<b>130,248</b>	11,201	—	11,201
John Bradshaw <sup>3</sup>	49,637	—	4,690	—	—	<b>54,327</b>	8,911	—	8,911
<b>Non-Executive</b>									
Susan Foden	18,015	—	—	—	—	<b>18,015</b>	3,000	—	3,000
Alan Barge	10,065	—	—	—	—	<b>10,065</b>	—	—	—
Mark Wyatt <sup>4</sup>	—	—	—	—	—	—	—	—	—
Marc d'Abbadie <sup>5</sup>	—	—	—	—	—	—	—	—	—
	231,711	736	64,026	198,000	6,426	<b>500,899</b>	118,112	—	118,112

<sup>1</sup> For the ease of comparison, remuneration has been disclosed for a full year ended 31 March 2016 and 31 March 2015 in respect of both Evgen Pharma plc and Evgen Limited.

<sup>2</sup> Includes fees of £9,601 (2015 - £6,701) and a bonus of £40,000 (2015 - nil) paid to Clarat Partners LLP, a related party as detailed in Note 20.

<sup>3</sup> Includes fees of £33,533 (2015 - £8,911) paid to Bradshaw Daniel Limited, a related party as detailed in Note 20.

<sup>4</sup> Fees of £10,063 (2015 - £nil) were paid to Enterprise Ventures Limited.

<sup>5</sup> Fees of £11,794 (2015 - £nil) were paid to SPARK Impact Limited.

Stephen Franklin and Barry Clare were appointed as directors of Evgen Pharma plc on 2 October 2014. John Bradshaw, Susan Foden, Mark Wyatt and Marc d'Abbadie were appointed directors of Evgen Pharma plc on 21 November 2014. Alan Barge was appointed a director of Evgen Pharma plc on 21 October 2015.

No directors waived emoluments in the period ended 31 March 2016.

### Directors' shareholdings

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

	At 31 March 2016	At 31 March 2015
<b>Ordinary shares of 0.25p each</b>		
<b>Executive</b>		
Stephen Franklin	1,375,200	1,319,200
Barry Clare <sup>1</sup>	940,108	552,800
John Bradshaw	40,000	—
<b>Non-Executive</b>		
Susan Foden	—	—
Alan Barge	—	—
Mark Wyatt <sup>2</sup>	15,723,818	11,380,800
Marc d'Abbadie <sup>3</sup>	16,186,446	7,115,200

The figures for 2015 have been restated to reflect the 800:1 share split which took place on 12 October 2015 and represent shares in Evgen Limited.

<sup>1</sup>Of the ordinary shares set out above Barry Clare is indirectly interested in 592,508 (2015 – 355,200) ordinary shares in the Company held by Clarat Partners LLP by virtue of being a member of Clarat Partners LLP.

<sup>2</sup>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.

<sup>3</sup>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.

### Salary

The Executive Directors salaries were reviewed prior to Admission and are set at a level to reflect their responsibilities as directors of an AIM listed company.

### 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

### LTIP

IPO awards were granted under the LTIP to the Executive Directors on Admission to provide lock-in for the management team at this critical point of the Company's development and vesting is based on continued employment with the Company.

As disclosed in the Admission Document, the awards made to the Executive Chairman and CEO will 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 will vest on the first anniversary of Admission.

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<sup>1</sup>:

Director	Plan	Date of grant	At 1 April 2015	Granted during the period	At 31 March 2016	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
			<b>2,956,000</b>	<b>2,184,367</b>	<b>5,140,367</b>			
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
			<b>1,039,200</b>	<b>437,837</b>	<b>1,477,037</b>			
John Bradshaw	LTIP	21 October 2015	—	48,648	48,648	Nil	21 October 2016	20 October 2025
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

<sup>1</sup> As adjusted for the Group reconstruction and IPO

## 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

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 17 to 40. 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.

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.

### 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.

### 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 financial statements

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 2016 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 Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### 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.

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

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.

### Other matter – prior period financial statements not audited

The corresponding figures for 2015 have not been audited. The Group was exempt from audit in the year ended 31 March 2015.

**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

27 May 2016

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Notes	Year ended 31 March 2016 £'000	Unaudited Year ended 31 March 2015 £'000
<b>Operating expenses</b>			
Operating expenses	3	(1,232)	(796)
Share based compensation	5	(519)	(155)
Non-recurring administrative expenses	3	(683)	(295)
<b>Total operating expenses</b>		<b>(2,434)</b>	(1,246)
<b>Operating loss</b>	3	<b>(2,434)</b>	(1,246)
Finance income		8	—
Finance expense	6	(791)	(1,057)
<b>Loss on ordinary activities before taxation</b>		<b>(3,217)</b>	(2,303)
Taxation	7	85	30
<b>Loss and total comprehensive expense attributable to equity holders of the parent for the year</b>		<b>(3,132)</b>	(2,273)
<b>Loss per share attributable to equity holders of the parent (pence)</b>	8		
Basic loss per share		(6.29)	(7.79)
Diluted loss per share		(6.29)	(7.79)

# CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

as at 31 March 2016

	Notes	Group		Company
		As at 31 March 2016 £'000	Unaudited As at 31 March 2015 £'000	As at 31 March 2016 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	9	6	1	—
Intangible assets	10	74	45	—
Investments in subsidiary undertaking	11	—	—	73
<b>Total non-current assets</b>		<b>80</b>	46	<b>73</b>
<b>Current assets</b>				
Trade and other receivables	12	79	117	2,887
Current tax receivable	7	115	30	—
Short-term investments and cash on deposit	13	2,006	—	2,006
Cash and cash equivalents	13	5,120	163	5,051
<b>Total current assets</b>		<b>7,320</b>	310	<b>9,944</b>
<b>Total assets</b>		<b>7,400</b>	356	<b>10,017</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Trade and other payables	14	313	477	106
Loans	15	—	3	—
<b>Total current liabilities</b>		<b>313</b>	480	<b>106</b>
<b>Non-current liabilities</b>				
Loans	15	—	1,063	—
<b>Total non-current liabilities</b>		<b>—</b>	1,063	<b>—</b>
<b>Equity</b>				
Ordinary shares	16	183	73	183
Share premium	16	10,495	—	10,495
Merger reserve	16	2,067	2,067	—
Shares to be issued		—	1,750	—
Share based compensation	17	1,267	466	655
Retained deficit		(6,925)	(5,543)	(1,422)
<b>Total equity attributable to equity holders of the parent</b>		<b>7,087</b>	(1,187)	<b>9,911</b>
<b>Total liabilities and equity</b>		<b>7,400</b>	356	<b>10,017</b>

The financial statements on pages 17 to 40 were approved by the Board of Directors and authorised for issue on 27 May 2016 and were signed on its behalf by:

**Stephen Franklin**  
Chief Executive Officer

27 May 2016

Evgen Pharma plc,  
Registered number: 09246681

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Attributable to equity holders of the parent						
	Ordinary shares £'000	Ordinary shares £'000	Merger reserve £'000	Shares to be issued £'000	Share based compensation £'000	Retained deficit £'000	Total £'000
<b>Balance at 31 March 2014</b>	73	—	2,067	1,000	311	(3,270)	181
Total comprehensive expense for the period	—	—	—	—	—	(2,273)	(2,273)
<b>Transactions with owners</b>							
Equity element of loan note	—	—	—	750	—	—	750
Share based compensation – share options	—	—	—	—	155	—	155
<b>Total transactions with owners</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>750</b>	<b>155</b>	<b>(2,273)</b>	<b>(1,368)</b>
<b>Balance at 31 March 2015</b>	73	—	2,067	1,750	466	(5,543)	(1,187)
Total comprehensive expense for the period	—	—	—	—	—	(3,132)	(3,132)
<b>Transactions with owners</b>							
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	—	—	—	—	—	—	2,040
– loan note conversion	23	2,017	—	—	—	—	—
Share issue – bonus issue	20	(20)	—	—	—	—	14
Share issue – options exercised	1	13	—	—	—	—	—
<b>Total transactions with owners</b>	<b>110</b>	<b>10,495</b>	<b>—</b>	<b>(1,750)</b>	<b>801</b>	<b>1,750</b>	<b>11,406</b>
<b>Balance at 31 March 2016</b>	<b>183</b>	<b>10,495</b>	<b>2,067</b>	<b>—</b>	<b>1,267</b>	<b>(6,925)</b>	<b>7,087</b>

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Attributable to equity holders of the parent				
	Ordinary shares £'000	Share premium £'000	Share based compensation £'000	Retained deficit £'000	Total £'000
<b>Balance at 2 October 2014</b>	—	—	—	—	—
Total comprehensive expense for the period	—	—	—	(1,422)	(1,422)
<b>Transactions with owners</b>					
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
<b>Total transactions with owners</b>	<b>183</b>	<b>10,495</b>	<b>655</b>	<b>—</b>	<b>11,333</b>
<b>Balance at 31 March 2016</b>	<b>183</b>	<b>10,495</b>	<b>655</b>	<b>(1,422)</b>	<b>9,911</b>

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

for the year ended 31 March 2016

	Group		Company
	Year ended 31 March 2016 £'000	Unaudited Year ended 31 March 2015 £'000	Period ended 31 March 2016 £'000
<b>Cash flows from operating activities</b>			
Loss before taxation	(3,217)	(2,303)	(1,422)
Finance expense	791	1,057	470
Depreciation and amortisation	8	7	—
Share based compensation	801	155	655
	(1,617)	(1,084)	(297)
<b>Changes in working capital</b>			
Increase in trade and other receivables	(47)	(20)	(1,317)
Increase in trade and other payables	104	101	106
<b>Cash used in operations</b>	57	81	(1,211)
Taxation received	—	103	—
<b>Net cash used in operating activities</b>	(1,560)	(900)	(1,508)
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets	(36)	—	—
Purchase of property, plant and equipment	(6)	(1)	—
Short-term investments and cash on deposit	(2,006)	—	(2,006)
<b>Net cash used in investing activities</b>	(2,048)	(1)	(2,006)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	9,014	—	9,014
Issue costs	(449)	—	(449)
Proceeds from issue of convertible loan notes	—	750	—
<b>Net cash generated from financing activities</b>	8,565	750	8,565
<b>Movements in cash and cash equivalents in the period</b>	4,957	(151)	5,051
Cash and cash equivalents at start of period	163	314	—
<b>Cash and cash equivalents at end of period</b>	5,120	163	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 is 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.

### Merger accounting

On 5 December 2014 the Company acquired Evgen Limited. This transaction did not meet the definition of a business combination as set out in IFRS 3. It is noted that such transactions are outside the scope of IFRS 3 and there is no other guidance elsewhere in IFRS covering such transactions. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, requires that where IFRS does not include guidance for a particular issue, the Directors may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards when developing an appropriate accounting policy.

In this regard, it is noted that the UK Accounting Standards Board has, in issue, an accounting standard covering business combinations (FRS 6) that permits the use of the merger accounting principles for such transactions. The Directors have therefore chosen to adopt these principles and the financial statements have been prepared as if Evgen Limited had been owned and controlled by the Company throughout the years ended 31 March 2015 and 31 March 2016.

Accordingly, the assets and liabilities of Evgen Limited have been recognised at their historical carrying amounts, the results for the periods prior to the date the Company legally obtained control have been recognised and the financial statements and cash flows reflect those of Evgen Limited. The amount recognised in equity is based on the historical carrying amounts recognised by Evgen Limited. However, the share capital balance is adjusted to reflect the equity structure of the outstanding share capital of the Company, and any corresponding differences are reflected as an adjustment to a merger reserve.

### Basis of consolidation

The financial statements incorporate 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.

On the basis of the above projections, the Directors are confident that the Group has sufficient working capital to honour all of its obligations to creditors as and when they fall due. Thus they have adopted the going concern basis of accounting in preparing the consolidated financial statements.

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

### 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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

*continued*

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

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 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 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 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.

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

### 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 short-term 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

*continued*

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

### 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.

### 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 2015 and 31 March 2016, 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 that and subsequent 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 2015 £155,000, and year to 31 March 2016 £801,000.

### Convertible loans

During the year ended 31 March 2014, Evgen Limited issued convertible loan notes of £1,000,000. Transaction costs relating to the liability component of £1,000,000 are amortised over the lives of the convertible notes using the effective interest method. During the year ended 31 March 2015, Evgen Limited issued convertible loan notes of £750,000. Transaction costs relating to the liability component of £750,000 are amortised over the lives of the convertible notes 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 profit and loss. The loan notes were transferred to Evgen Pharma plc prior to the admission of Evgen Pharma plc to AIM. The loan notes were converted into ordinary shares and ordinary B shares on 21 October 2015 in connection with the admission of the Evgen Pharma plc to AIM.

### 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)

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 2016 £'000	Unaudited Year ended 31 March 2015 £'000
Research and development expenses:		
Amortisation of licences	7	6
Other research and development	376	196
Staff costs (including share based compensation) – Note 5	1,030	437
Establishment and general:		
Depreciation of property, plant and equipment	1	1
Operating lease cost – land and buildings	5	5
Foreign exchange loss	2	—
Other administrative expenses	330	306
Non-recurring administrative expenses		
– IPO expenses	401	—
– Aborted IPO expenses	—	295
– Share based compensation - warrants	282	—
<b>Total operating expenses</b>	<b>2,434</b>	1,246

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 2016 £'000	Unaudited Year ended 31 March 2015 £'000
Fees payable to the Group's auditors for the audit of:		
the consolidated and Company annual accounts	14	—
the subsidiary's annual accounts	14	—
<b>Total audit fees</b>	<b>28</b>	—
Audit related services	2	—
<b>Total audit related fees</b>	<b>2</b>	—
Other services	91	64
<b>Total non-audit fees</b>	<b>121</b>	64

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 5. EMPLOYEES AND DIRECTORS

The average monthly number of persons (including executive directors) employed by the Group was:

	Year ended 31 March 2016 Number	Unaudited Year ended 31 March 2015 Number
Management	1	1
Administration	1	1
Development	1	1
Non-Executive	4	4
Average total persons employed	7	7

As at 31 March 2016 the Group had 10 employees (31 March 2015: 7).

Staff costs in respect of these employees were:

	Year ended 31 March 2016 £'000	Unaudited Year ended 31 March 2015 £'000
Wages and salaries	437	237
Social security costs	63	45
Other pension costs	11	—
Share-based payments	519	155
<b>Total remuneration</b>	<b>1,030</b>	437

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 2016 in respect of pension are £nil (31 March 2015: £nil).

Key management remuneration:

	Year ended 31 March 2016 £'000	Unaudited Year ended 31 March 2015 £'000
Short-term employee benefits	303	220
Social security costs	25	45
<b>Total remuneration</b>	<b>328</b>	265

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.

## 6. FINANCE EXPENSE

	Year ended 31 March 2016 £'000	Unaudited Year ended 31 March 2015 £'000
Interest payable on fair value of loan notes	791	1,057
<b>Total finance expense</b>	<b>791</b>	<b>1,057</b>

## 7. TAXATION

	Year ended 31 March 2016 £'000	Unaudited Year ended 31 March 2015 £'000
Current tax		
Current period – UK corporation tax	—	—
R&D tax credit	85	30
<b>Net tax credit</b>	<b>85</b>	<b>30</b>

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

	Year ended 31 March 2016 £'000	Unaudited Year ended 31 March 2015 £'000
Loss on ordinary activities before taxation	(3,132)	(2,303)
Loss before tax at the effective rate of corporation tax in the United Kingdom of 20.00% (2015: 21%)	(643)	(484)
Effects of:		
Losses not recognised	643	484
R&D tax credit	(85)	(30)
<b>Tax credit for the year</b>	<b>(85)</b>	<b>(30)</b>

The Group has an unrecognised deferred tax asset of £0.7m (2015 - £0.6m) related to accumulated tax losses. The Company has unrecognised deferred tax asset of £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 2016 and 31 March 2015, the Group has 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:

	<b>Year ended 31 March 2016 £'000</b>	Unaudited Year ended 31 March 2015 £'000
Loss for the year attributable to equity holders for basic loss and adjusted for the effects of dilution	<b>(3,132)</b>	(2,273)
	<b>As at 31 March 2016 Number</b>	As at 31 March 2015 Number
<b>Weighted average number of ordinary shares for basis loss per share</b>	<b>49,797,654</b>	29,169,600
Effects of dilution:		
Share options	—	—
<b>Weighted average number of ordinary shares adjusted for the effects of dilution</b>	<b>49,797,654</b>	29,169,600
	<b>Year ended 31 March 2016 Pence</b>	Unaudited Year ended 31 March 2015 Pence
Loss per share – basic and diluted	<b>(6.29)</b>	(7.79)

The loss and the weighted average number of ordinary shares for the years ended 31 March 2015 and 2016 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. The number of shares included in the comparative figures for 2015 has been adjusted to take into account the share restructuring performed in the year ended 31 March 2016.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Plant, fixtures & fittings £'000	IT Equipment £'000	Total £'000
<b>Cost</b>			
At 31 March 2014 (Unaudited)	1	3	4
Additions	—	1	1
Disposals	—	—	—
At 31 March 2015 (Unaudited)	1	4	5
Additions	—	6	6
<b>At 31 March 2016</b>	<b>1</b>	<b>10</b>	<b>11</b>
<b>Accumulated Depreciation</b>			
At 31 March 2014 (Unaudited)	—	3	3
Charge for the period	1	—	1
Disposals	—	—	—
At 31 March 2015 (Unaudited)	1	3	4
Charge for the period	—	1	1
<b>At 31 March 2016</b>	<b>1</b>	<b>4</b>	<b>5</b>
<b>Net Book Value</b>			
At 31 March 2014 (Unaudited)	1	—	1
At 31 March 2015 (Unaudited)	—	1	1
<b>At 31 March 2016</b>	<b>—</b>	<b>6</b>	<b>6</b>

Depreciation is charged to operating expenses. As at 31 March 2016, the Company had no property, plant and equipment.

## 10. INTANGIBLE ASSETS

	Licences £'000
<b>Cost</b>	
At 31 March 2014 (Unaudited)	64
Additions	—
At 31 March 2015 (Unaudited)	64
Additions	36
<b>At 31 March 2016</b>	<b>100</b>
<b>Amortisation</b>	
At 31 March 2014 (Unaudited)	13
Amortisation	6
At 31 March 2015 (Unaudited)	19
Amortisation	7
<b>At 31 March 2016</b>	<b>26</b>
Net Book Value	
At 31 March 2014 (Unaudited)	51
At 31 March 2015 (Unaudited)	45
<b>At 31 March 2016</b>	<b>74</b>

# 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 2016, the Company had no intangible assets.

## 11. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The consolidated financial statements of the Group as at 31 March 2016 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%
					<b>Company As at 31 March 2016 £'000</b>
<b>Evgen Limited</b>					
At 2 October 2014					—
Initial issue of shares at £2 per share					73
<b>At 31 March 2016</b>					<b>73</b>
<b>Total investments in group undertakings</b>					<b>73</b>

### 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.

## 12. TRADE AND OTHER RECEIVABLES

	Group		Company
	As at 31 March 2016 £'000	Unaudited As at 31 March 2015 £'000	As at 31 March 2016 £'000
<b>Amounts receivable within one year</b>			
Trade receivables	3	6	—
Other receivables	—	16	—
Other taxation and social security	21	54	9
Prepayments	55	41	46
Amounts due from subsidiary undertakings	—	—	2,832
<b>Trade and other receivables</b>	<b>79</b>	117	<b>2,887</b>

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 19. The Group does not hold any collateral as security for its trade and other receivables.

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

	Group	Unaudited As at 31 March 2015 £'000	Company As at 31 March 2016 £'000
Cash at bank and in hand	5,120	163	5,051
Short-term investments and cash on deposit	2,006	—	2,006
	<b>7,126</b>	163	<b>7,057</b>

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.

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	Unaudited As at 31 March 2015 £'000	Company As at 31 March 2016 £'000
<b>Amounts falling due within one year</b>			
Trade payables	86	130	9
Other taxation and social security	16	146	16
Accrued expenses	211	201	81
Trade and other payables	<b>313</b>	477	<b>106</b>

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 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

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## 15. BORROWINGS

	Group		Company	
	As at 31 March 2016 £'000	Unaudited As at 31 March 2015 £'000	As at 31 March 2016 £'000	As at 31 March 2016 £'000
Current				
Convertible loan notes	—	3	—	—
Non-current				
Convertible loan notes	—	1,063	—	—
<b>Total borrowings</b>	<b>—</b>	<b>1,066</b>	<b>—</b>	<b>—</b>

The earliest that the lenders of the above non-current borrowings require repayment is as follows:

	Group		Company	
	As at 31 March 2016 £'000	Unaudited As at 31 March 2015 £'000	As at 31 March 2016 £'000	As at 31 March 2016 £'000
Between one and two years:				
Convertible loan notes	—	3	—	—
Between two and five years:				
Convertible loan notes	—	1,063	—	—
	—	1,066	—	—
<b>Element of the loan treated as equity</b>	<b>—</b>	<b>1,750</b>	<b>—</b>	<b>—</b>

On 2 July 2013 and on 30 October 2013, unsecured convertible loan notes with an aggregate nominal value of £85,000 and £915,000 respectively were issued by Evgen Limited (together "2013 Notes"). The 2013 Notes were repayable bi-annually on the basis of 1/1000 of the principal outstanding (plus accrued but unpaid interest) being paid each year until 30 April 2017 when all remaining outstanding 2013 Notes would be repaid with all unpaid interest. Interest accrued daily on the 2013 Notes at a rate of 11 per cent. per annum, which was rolled up and converted into shares in the Company on the occurrence of a conversion event. On a qualified listing, the outstanding 2013 Notes together with all accrued and unpaid interest, convert automatically into fully paid A Ordinary Shares at a price per share being a 50 per cent. discount to the Placing Price immediately prior to Admission. On 3 November 2014, unsecured convertible loan notes with an aggregate nominal value of £750,000 were issued by Evgen Limited (together "2014 Notes"). The 2014 Notes were repayable bi-annually on the basis of 1/1000 of the principal outstanding (plus accrued but unpaid interest) being paid each year until 2 January 2017 when all remaining outstanding 2014 Notes would be repaid with all unpaid interest. Interest accrued daily on the 2014 Notes at a rate of 11 per cent. per annum, which was rolled up and converted into shares in the Company on the occurrence of a conversion event. 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. 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 profit and loss. On a qualified listing, the outstanding 2014 Notes together with all accrued and unpaid interest, convert automatically into fully paid Ordinary Shares at a price per share being a 20 per cent. discount to the Placing Price immediately prior to Admission. All loans are denominated in sterling. Prior to the Company's admission to AIM the 2013 Notes and 2014 Notes were transferred from Evgen Limited to the Company.

On 21 October 2015 the loan notes and associated accrued interest amounting to £290,000 were converted into 6,553,330 A shares and 2,796,895 ordinary shares of £0.0025 each as a result of the Company's admission to AIM. These shares were subsequently all converted into Ordinary shares of £0.0025 each on a 1:1 basis.

## 16. 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
<b>At 31 March 2016</b>	<b>73,142,862</b>	<b>183</b>

On 2 October 2014 the Company was incorporated with one ordinary share of £2.00 was 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 each was converted into 800 A shares of £0.0025 each and ordinary B share of £2.00 each 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.

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

### Merger reserve

The acquisition of its principal and only subsidiary on 5 December 2014 by the Company does not meet the definition of a business combination and therefore falls outside the scope of IFRS3. The acquisition has therefore been accounted for in accordance with the principles of merger accounting as set out in Financial Reporting Standard 6 – Acquisitions and Mergers. The consideration paid to the shareholders of Evgen Limited was satisfied by the issue of 12,596 ordinary shares of £2.00 each, 18,849 ordinary A shares of £2.00 each and 5,017 ordinary B shares of £2.00. A merger reserve arises on consolidation being the difference between the nominal value of the shares issued on acquisition (£72,924) and the share capital (£36,462) and share premium (£2,103,667) of Evgen Limited.

# NOTES TO THE FINANCIAL STATEMENTS

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## 17. 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 2015: two), in addition share options have been granted under standalone unapproved share option agreements. Options granted are for £nil consideration and are exercisable at a price determined on the date of the grant.

At 31 March 2016 the Company had 8,473,251 (2015 – 6,991,200) unissued ordinary shares of £0.0025 under the Company's share option scheme 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	0	21 October 2015	21 October 2025
21 October 2015	437,837	0	21 October 2015	21 October 2025
21 October 2015	48,648	0	21 October 2016	21 October 2025
21 October 2015	81,081	0	21 October 2015	21 October 2025
21 October 2015	18,918	0	21 October 2015	21 October 2025
<b>8,473,251</b>				

Movements on share options during the year were as follows:

Exercise price	At 1 April 2015	Granted	Exercised	Lapsed/cancelled	At 31 March 2016	Date from which exercised	Expiry date
0.073	80,000	—	—	—	80,000	24 July 2011	24 July 2018
0.008875	1,340,000	—	—	(884,000)	456,000	21 October 2015	18 August 2020
0.00875	473,600	—	—	—	473,600	21 October 2015	18 August 2020
0.00875	276,800	—	—	(132,800)	144,000	08 July 2014	11 January 2021
0.05	2,323,200	—	—	—	2,323,200	31 August 2013	25 November 2011
0.05	272,000	—	(272,000)	—	0	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	—	—	1,705,403	21 October 2015	21 October 2025
Nil	—	48,648	—	—	48,648	21 October 2015	21 October 2025
	<b>6,991,200</b>	<b>2,770,851</b>	<b>(272,000)</b>	<b>(1,016,800)</b>	<b>8,473,251</b>		

## 17. SHARE-BASED PAYMENTS (continued)

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

	As at 31 March 2016		Unaudited As at 31 March 2015	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at start of the year	6,991,200	0.0377	6,991,200	0.0337
Granted	2,770,851	0.003	—	—
Exercised	(272,000)	0.05	—	—
Lapsed/cancelled	(1,016,800)	0.009	—	—
<b>Outstanding at end of year</b>	<b>8,473,251</b>	<b>0.0262</b>	<b>6,991,200</b>	<b>0.0337</b>
<b>Exercisable at end of year</b>	<b>7,938,116</b>	<b>0.0304</b>	<b>2,952,000</b>	<b>0.0342</b>

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 2016 is £519,000 (2015 – £155,000). 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 2016 is £282,000 (2015 – £nil). 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.

## 18. OPERATING LEASE ARRANGEMENTS

	Year ended 31 March 2016 £'000	Unaudited Year ended 31 March 2015 £'000
Minimum lease payments under operating leases recognised as an expense in the period	5	3

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 2016 £'000	Unaudited As at 31 March 2015 £'000	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Within one year	—	3	—	—
In the second to fifth years inclusive	—	—	—	—
After five years	—	—	—	—

Operating lease payments represent rentals payable by the Group for its registered office. As at 31 March 2016, the lease had expired.

# NOTES TO THE FINANCIAL STATEMENTS

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## 19. 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	Unaudited As at 31 March 2015	Company
	As at 31 March 2016		As at 31 March 2016
	Loans and receivables £'000	Loans and receivables £'000	Loans and receivables £'000
<b>Assets as per statement of financial position</b>			
Trade receivables	3	6	—
Other receivables	—	16	—
Amounts due from subsidiary undertakings	—	—	2,832
Cash, cash equivalents and short-term investments	7,126	163	7,057
	<b>7,129</b>	185	<b>9,889</b>

	Group	As at 31 March 2015	Company
	As at 31 March 2016		As at 31 March 2016
	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Liabilities as per statement of financial position</b>			
Trade payables	86	130	9
Borrowings	—	1,066	—
	<b>86</b>	1,196	<b>9</b>

### 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 two large banks 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.

## 19. 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 as follows was nil (2015 – 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 or 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 20. 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 2016, the Group purchased consultancy services totalling £46,750 (Year ended 31 March 2015: £13,500) 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 2016 was £nil (31 March 2015: £nil).

During the year ended 31 March 2016, the Group purchased consultancy and accounting services totalling £50,840 (Year ended 31 March 2015: £13,000) from Bradshaw Daniel Limited, a company controlled by John Bradshaw, a director. The amount owed to Bradshaw Daniel Limited at 31 March 2016 was £2,556 (31 March 2015: £1,217).

During the year ended 31 March 2016, the Group was charged monitoring and director fees totalling £20,104 (Year ended 31 March 2015: £21,000) from 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 2016 was £nil (31 March 2015: £nil).

During the year ended 31 March 2016, the Group was charged monitoring and director fees totalling £21,451 (Year ended 31 March 2015: £21,000) from 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 2016 was £nil (31 March 2015: £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 on the face in Note 12.

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