Evgen Pharma plc
Annual Report & Accounts **2019**

REALISING THE CLINICAL POTENTIAL OF SULFORAPHANE

Evgen is a clinical stage drug development company focussed on the development of sulforaphane-based compounds, a new class of pharmaceuticals which are synthesised in a proprietary, well-tolerated, stable formulation. Our pipeline exploits sulforaphane's activity in two separate biochemical pathways; inhibition of STAT3, of importance in cancer, and up-regulation of Nrf2, a target for reducing neurodegeneration.

CHAIRMAN'S STATEMENT

Evgen has made considerable progress during the past year. Patient enrolment and treatment was completed in both Phase II trials of our lead product candidate, SFX-01; a Phase IIa trial in metastatic breast cancer ("mBC") and a Phase IIb trial in subarachnoid haemorrhage ("SAH"). Most importantly, we released top line data from the mBC trial that clearly demonstrated clinical proof of concept for SFX-01. SFX-01 was well tolerated and was effective at stabilising disease and inducing responses in patients whose disease has progressed on hormonal therapies; providing the impetus to embark on randomised studies in these populations of breast cancer patients which we are currently planning. This result was particularly gratifying given the advanced nature of the disease in the patient group treated. Whilst the efficacy data has been well-received by clinicians and other informed commentators we have also been much encouraged by the safety and tolerability profile which is unusually good for an oncology product. This positions SFX-01 for use alongside existing breast cancer drugs in a number of different treatment pathways.

We stepped up our attendance at international conferences presenting at The World Orphan Drug Congress in the US, the San Antonio Breast Cancer Symposium 2018 and at a closed meeting in Madrid to senior scientists from pharmaceutical companies and academia with a common interest in the Nrf-2 pathway. This was followed by inclusion of SFX-01 in a Nature Reviews Drug Discovery paper focussing on the Nrf2/ KEAP1 pathway, in which scientific interest is escalating and for which SFX-01 is a potent activator.

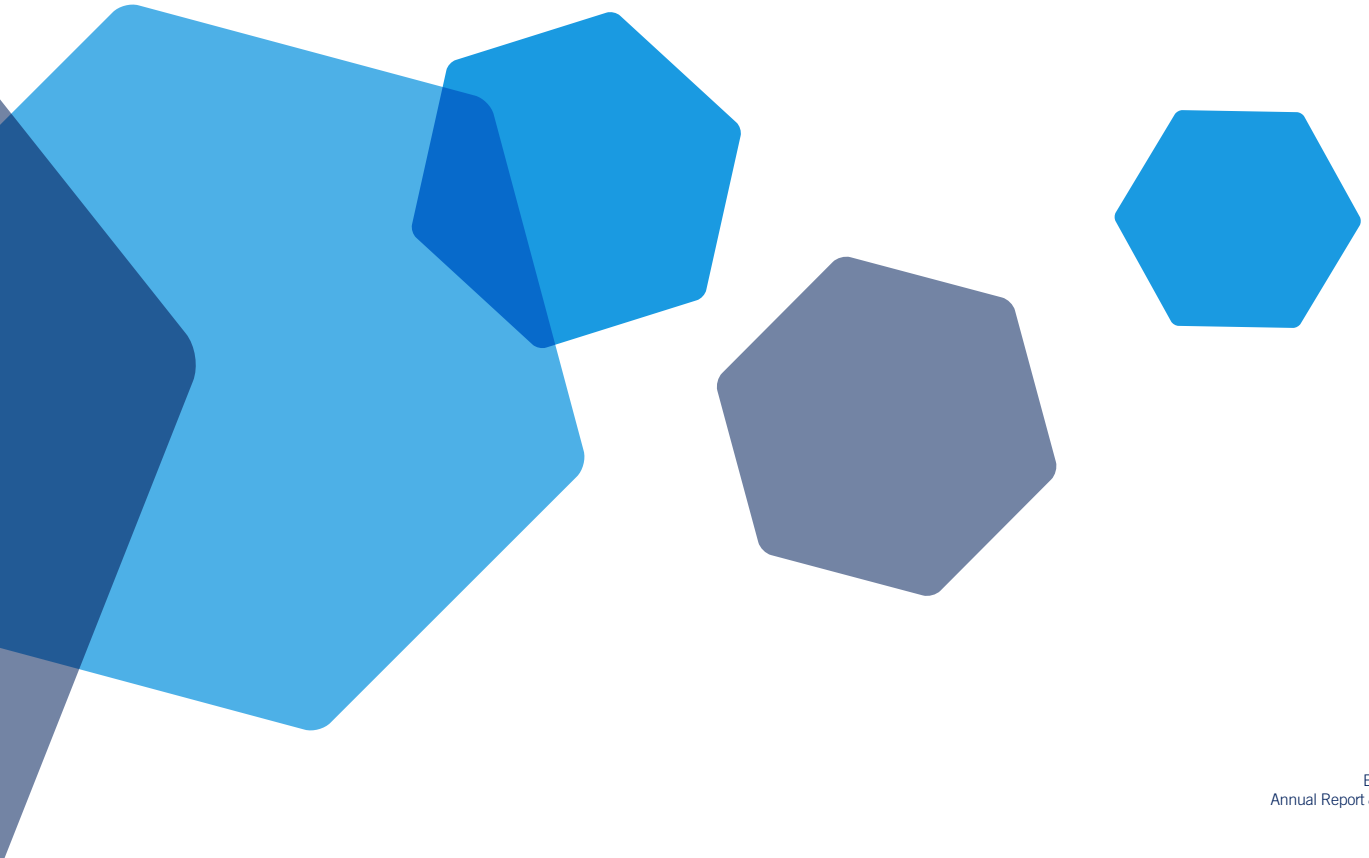
Early data from a collaboration with Imperial College has provided further insight into the potential mechanism of action of SFX-01 in mBC, identifying potential biomarkers for determining the efficacy of SFX-01 in this indication.

We were very pleased with the oversubscribed fundraising completed in May 2019 which achieved £5m before expenses in difficult market conditions. This provides us with a strengthened balance sheet, the resources to undertake product formulation that will facilitate the next mBC trial and other investigator-led clinical studies, and funds to complete further toxicology studies that will remove current restrictions on the duration of clinical trial treatment phases.

During the current financial year we expect to report secondary endpoints from the mBC trial and the full read out from our SAH trial. We also anticipate an agreement to support at least one investigator-led Phase II trial in a new indication. There are therefore a number of events that could lead to substantial value enhancement in the business.

Barry Clare
Chairman

12 June 2019



STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 March 2019. The Operational Overview, Key Performance Indicators, Financial Review and Principal Risks and Uncertainties sections form part of the Strategic Report.

OPERATIONAL OVERVIEW

Background

Evgen is developing a platform, comprising expertise, intellectual property and clinical data, around a new class of pharmaceuticals based on a molecule called sulforaphane. Sulforaphane has attracted huge scientific interest and has been shown to have anti-cancer and neuroprotective qualities in a wide range of preclinical and clinical studies, for example breast cancer, prostate cancer, multiple sclerosis and autism. In particular, we are seeking to exploit sulforaphane's modulation of two separate and unrelated mechanistic targets; Nrf2 and STAT3.

Evgen has exclusive rights to the only technology (Sulforadex®) proven to synthesise this very unstable molecule in a stabilised composition that will satisfy regulatory and medicinal needs for a pharmaceutical and that can be used as a therapeutic.

Objective and strategy

Evgen's ambition is to be the world leader in sulforaphane and sulforaphane-like compounds, establishing a leading position in this new class of pharmaceuticals. The strategy to achieve this objective is to:

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

The key challenges in delivering this strategy include:

- Conducting appropriately designed clinical trials that may demonstrate the efficacy of SFX-01;
- Assembling the necessary toxicology package and completing product formulation and development such that SFX-01 will satisfy regulatory and commercial requirements;
- Accessing sufficient capital to enable execution of these activities.

These challenges are being addressed through the use of a panel of expert consultants in the relevant fields, a sustained investor relations and fundraising effort and a focussed business development/ partnership activity.

Pipeline

SFX-01 IN BREAST CANCER

Breast cancer is the biggest cause of cancer deaths in women worldwide. In around 75% of breast cancers, the hormone oestrogen plays a key part in tumour growth. Such tumours express the oestrogen receptor (ER+) and, if the cancer is metastatic, endocrine therapy is the main treatment. It is thought that hormone independent cancer stem-like cells are implicated in the development of resistance to hormone therapy and the spread of the disease by metastases. Since 2012, Evgen has worked with University of Manchester scientists at the Cancer Research UK Manchester Institute and together we have generated promising data showing SFX-01 reduces the number of cancer stem-like cells in patient-derived breast cancer tissue in xenograft models. The xenograft studies used a combination of hormone therapy and SFX-01, with the role of SFX-01 being to target the cancer stem-like cell population. Crucially, the data also showed that SFX-01 is unique, compared with existing therapies, in deactivating phosphorylated STAT3, a key agent in cancer proliferation and resistance to current standards of care.

STEM ('SFX-01 in the Treatment and Evaluation of Metastatic Breast Cancer') is a multi-centre, Phase IIa clinical trial led by Principal Investigator Dr Sacha Howell of the Christie Hospital in Manchester. The trial has completed, having treated 46 patients from 14 sites in the UK, France, Spain and Belgium. Top line data was released in March 2019 showing that the trial met its primary endpoints of safety/ tolerability and clinical benefit rate (CBR) as measured by RECIST (Response Evaluation Criteria In Solid Tumours).

All STEM patients had been on endocrine therapy prior to entry to the trial, and having responded to such therapy for at least six months then presented with progressive disease, thereby demonstrating the start of resistance to the hormone therapy. Once entered into the trial, patients continued to receive their failing hormone therapy in addition to SFX-01 and have regular scans through to week 24. Patients discontinued the trial when one of the scans shows disease progression or at week 24.

After 24 weeks, for responding patients, there was a compassionate use programme that provides continued access to SFX-01 with follow-up for safety.

In March 2019 we announced top line final data from the trial demonstrating clinical proof of concept by showing that:

- SFX-01 can both stabilise and shrink endocrine resistant metastatic breast cancers.
- SFX-01 was well tolerated with no safety concerns arising.

In particular:

- The Clinical Benefit Rate across all patients was c. 24%.
- Disease stabilisation was seen in patients from all participating countries.
- An objective response was seen in 2 patients (4%), being a reduction in tumour size of at least 30% on one scan.
- 13 patients entered the compassionate use programme after 24 weeks.

The data showed an excellent and unusually good safety and tolerability profile for an anti-cancer drug. It was significantly better than that for everolimus or exemestane, drugs currently used at the same stage of the treatment pathway as that in which we anticipate SFX-01 being deployed.

In a subsequent independent review of the data, Dr Mary Stuart, a world-wide acknowledged expert in the breast cancer field, concluded:

"Patients participating in the STEM study had generally poor prognosis, with over 70% of patients having visceral disease. If these patients had remained on their therapy without any change, they would have continued to have unchecked disease progression. However, the STEM results show that SFX-01 has promising evidence of activity and suggests it may reverse resistance to endocrine therapy".

We believe SFX-01 will initially be used in second-line mBC therapy where the market opportunity is substantial. We are working on a trial design to show benefit in this setting, likely to be a randomised, placebo-controlled phase IIb trial.

SFX-01 IN SUBARACHNOID HAEMORRHAGE

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

Nimodipine, the current standard of care, is a generic and has been used 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.

SFX-01 is aimed at reducing the neurological damage associated with the DCI via the up-regulation of the Nrf2-ARE (nuclear factor erythroid2-related factor 2–antioxidant response element) pathway. Sulforaphane, the active principal in SFX-01, is a well-known activator of the Nrf2–ARE pathway which plays a protective role in many physiological stress processes such as inflammatory damage, oxidative stress, and the accumulation of toxic metabolites, which are all involved in the DCI following SAH. The trial is a double-blind, placebo-controlled study of 90 patients; 45 receiving nimodipine and placebo and 45 receiving nimodipine and SFX-01. The primary endpoints are Transcranial Doppler (essentially blood flow as measured by ultrasound through the brain's blood vessels and a measure of the DCI), safety and pharmacokinetics.

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

The trial has completed the recruitment, treatment and 3 month assessment phases, leaving a small number of patients still awaiting their 6 month cognitive assessments. Patients were recruited from 3 centres; University Hospital Southampton, Western General Hospital in Edinburgh and St Bartholomew's Hospital in London.

As announced in March 2019 we have decided to announce the primary endpoints (safety, tolerability and measures of blood flow in the brain) and secondary endpoints (relating to cognitive function) at the same time, rather than announcing them separately as previously indicated. This approach fully protects the blinded integrity of the secondary endpoint data which continues to be collected post-dosing for six months from the initial haemorrhage. We anticipate the read-out to be at the end of Q3 or early Q4 of this calendar year.

Preclinical work and investigator-led clinical studies

In addition to our core in-house programmes, we continue to support academic research and we will facilitate investigator-initiated studies (completely or largely funded by the investigator or relevant charities) to broaden the range of applications for SFX-01 and increase our mechanistic understanding in these different disease areas.

Currently, we are working with research groups conducting pre-clinical work to investigate the potential of SFX-01, inter alia, in: triple negative breast cancer (University of Manchester, UK), prostate cancer (Tulane University, US), glioblastoma (University of L'Aquila, Italy), osteoarthritis (RVC, University of London, UK) and ischaemic stroke and autism (both at King's College London, UK). Furthermore, we are working with the University of Dundee to support their grant applications which could potentially finance a clinical trial in patients with non-alcoholic steatohepatitis (NASH), a form of fatty liver disease.

Data from an earlier collaboration with the University of Southampton was published showing that SFX-01 reduces residual disability after experimental autoimmune encephalomyelitis (a model for multiple sclerosis) both prophylactically and after disease induction.

We are hopeful that some of these projects will progress into clinical evaluation over the next few years funded by 3rd parties.

Finally, we have a mechanistic collaboration with Imperial College, London to use advanced chemical proteomics technology to detect targets for SFX-01 and other sulforaphane analogues in live cells or tissues in specific disease model systems. This should provide greater understanding of mechanism(s) of action and contribute data important for current and future clinical development. The first data from this collaboration was presented at the end of March providing further elucidation of the potential mechanism of action of SFX-01 in metastatic breast cancer, and suggesting biomarkers for determining the efficacy of SFX-01 in this indication. In particular, that SFX-01 influences growth hormone signalling and that phosphorylated STAT3 and, interestingly, MIF (macrophage migration inhibitory factor), may be a useful biomarker for response to SFX-01.

Recent advances in sulforaphane science

In the calendar year 2018 there were 233 scientific publications studying sulforaphane, up from 184 in 2017 (source: Pubmed). Some highlights include:

- Sulforaphane has been shown, again, to suppress the growth of triple negative breast cancer stem-like cells in in-vitro and in-vivo (Castro et al., Cancer Prev Res, 2019). The researchers, based at the NCI (National Cancer Institute) in the United States, found that sulforaphane significantly decreased the expression of cancer-specific and various stem cell markers, and concluded that it warrants clinical evaluation.
- The preclinical and clinical evidence associated with sulforaphane as a potential treatment for autism continues. Nadeen et al. (Behav Brain Res, 2019) showed that sulforaphane ameliorated autism-like symptoms in a preclinical animal model through the activation of Nrf-2 which (a) suppressed Th17 related signaling and (b) rectified the oxidant-antioxidant imbalance in periphery and brain in a preclinical model; Th17 immune responses and oxidative stress are reported to be elevated in human autistic subjects.

STRATEGIC REPORT
continued

Recent advances in sulforaphane science (continued)

Furthermore, in a small open label clinical study Bent et al. (Mol Autism, 2018) dosed children with autism for 12 weeks with a frozen botanical extract containing sulforaphane. There was a statistically significant improvement in social responsiveness (Social Responsiveness Scale-SRS) from baseline and changes in urinary metabolites were correlated with changes in symptoms.

- A number of recent studies point towards sulforaphane as a potential treatment for neuropsychiatric disorders, including schizophrenia. Excess oxidative stress is increasingly thought to participate in the pathophysiology of brain disorders, and decreases in the major antioxidant, glutathione (GSH), have been reported in multiple studies. Activation of Nrf-2 leads to increased expression of genes that produce GSH. Sedlak et al. (Mol Neuropsychiatry, 2018) reported that sulforaphane increased GSH levels in the blood and specific areas of the brain in healthy human subjects following 7 days of daily oral administration. The publication concludes with the statement: "This clinical pilot study suggests the value of exploring relationships between peripheral GSH and clinical/ neuropsychological measures, as well as the influences sulforaphane has on functional measures that are altered in neuropsychiatric disorders".

INTELLECTUAL PROPERTY UPDATE

During, and since, the last reporting period our IP portfolio has been further strengthened with a number of key patents being granted.

The current status of the intellectual property portfolio is as follows:

- From the "parent" patent family entitled "Stabilised Sulforaphane" patents are granted in Australia, Canada, EU, US and Hong Kong and further applications are pending in Japan, EU and Hong Kong.
- The principal manufacturing patent application, entitled "Methods of Synthesising Sulforaphane" is granted in Australia, China, Europe, Japan and the US and further applications are pending in Brazil, Canada, US and India.
- A second manufacturing patent which is directed to methods of isolating and purifying sulforaphane or analogues from natural sources has been granted in Europe, US, Japan and China.
- The patent application providing protection around novel analogues based on sulforaphane, and entitled "Sulforaphane-Derived Compounds" is granted in Australia, China, Europe, Japan and the US and pending in Canada.

In May 2018, in an important development, the Group gained a patent in Europe containing claims to a particular method of stabilising sulforaphane by complexation with alpha-cyclodextrin; a similar divisional application remains pending in Japan. In April 2019, the Group also received notification of the intention to grant a compositional patent in Europe directed to a composition comprising a complex of sulforaphane and alpha-cyclodextrin. The Group has long held broad compositional patent protection in the United States since patent grant in 2011 and in Canada since grant in 2014.

KEY PERFORMANCE INDICATORS

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

	2019 (£m)
Year-end cash and short-term investments and cash on deposit held: (2018: £3.6m)	**2.0**

The reduction in year-end cash reflects working capital, pre-clinical and clinical expenditures during the year offset in part by the fundraising in October 2018 which raised £750k before expenses.

	2019 (£m)
Net cash outflow (including short-term investments) (2018 outflow: £0.2m)	**1.6**

The net cash outflow again reflects working capital, pre-clinical and clinical expenditures during the year offset in part by the fundraising completed during the year.

	2019 (£m)
Operating loss: (2018: £3.0m)	**3.1**

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

PEOPLE

We were delighted to welcome Susan Clement-Davies as a non-executive director. Susan brings a wealth of experience in capital markets, M&A and licensing/partnering, particularly in the life science sector, from her time with Citigroup and Torreya. We would like thank Marc d'Abbadie who resigned from the Board in November 2018 for his support and contribution which has been much appreciated.

FINANCIAL REVIEW

The financial performance for the year ended 31 March 2019 was in line with expectations.

Losses

The total loss for the year was £2.6m (31 March 2018: £2.6m) including a charge for share-based compensation of £0.1m (2018: £0.1m). Operating expenses excluding share based compensation increased slightly to £3.0m (2018: £2.9m) reflecting similar levels of both clinical activity and general and administrative costs.

Share based compensation

Accounting standards require a charge to be made against the grant of share options and recognised in the Consolidated Statement of Comprehensive Income. This amounted to £0.1m (2018: £0.1m) and has no impact on cash flows.

Headcount

Average headcount of the Group for the year was 8 (2018: 9).

Taxation

The Group has elected to claim research and development tax credits under the small or medium enterprise research and development scheme of £0.49m (2018: £0.44m).

Share capital

In October 2018, 5,555,558 ordinary shares of 0.25p each were issued pursuant to a placing to existing and new shareholders at 13.5p per share. The placing raised £0.75m before expenses.

A total of 158,918 ordinary shares of 0.25p each were issued pursuant to exercises of share options granted under individual share option grants. These options had exercise prices of between nil and 10.6p per share.

A share placing was completed in May 2019 after the year end which raised £5m before expenses in difficult market conditions. This provides us with a strengthened balance sheet, the resources to undertake product formulation that will facilitate the next mBC trial and other investigator-led clinical studies, and funds to complete further toxicology studies that will remove current restrictions on the duration of clinical trial treatment phases. The placing comprised the issue of 33,333,329 ordinary shares of 0.25p each to existing and new shareholders at 15.0p per share.

Cash flows and financial position

The cash position at 31 March 2019 decreased to £2.0m (31 March 2018: £3.6m). Continued clinical expenditure on the two phase II trials of SFX-01 and recurring general and administrative costs were partially offset by the share placing proceeds (£0.75m before expenses) and receipt of the 2018 tax credit (£0.44m).

PRINCIPAL RISKS AND UNCERTAINTIES

Evgen is a biopharmaceutical company and, in common with other companies operating in the sector, is subject to a number of risks. The principal risks and uncertainties identified by the Group for the year ended 31 March 2019 are set out below.

Development

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

Commercial

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

Regulatory

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

Intellectual property (IP)

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

Financial

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

Operational

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

OUTLOOK

The outlook for Evgen is positive. Our metastatic breast cancer Phase II trial achieved its primary endpoints and we have a further Phase II trial to report in the current year in a different disease area. Furthermore, we support investigator-led academic studies in new disease areas and these are generating preclinical data which may ultimately support further trials, either of SFX-01 or novel analogues. These include further opportunities in cancer and neurology but also in other fields. All have considerable commercial opportunity and we look forward to the future with confidence.

This report was approved by the Board of Directors on 12 June 2019 and signed on behalf of the Board of Directors by:

Barry Clare	**Dr Stephen Franklin**
Chairman	Chief Executive Officer
12 June 2019	12 June 2019

THE BOARD OF DIRECTORS

BARRY CLARE Chairman
Barry brings considerable healthcare, strategy, NED and Chairman experience to the Group. He 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 Deputy Chairman, Manchester University NHS Foundation Trust . Barry has been a Director and Chairman of Evgen Limited since November 2009 and Evgen Pharma plc since October 2014.

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

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

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

DR ALAN BARGE Non-Executive Director
Alan has held high-level strategic leadership roles in oncology with global pharmaceutical companies. He was formerly Chief Medical Officer of Singapore-based ASLAN Pharmaceuticals PTE and of BerGenBio. 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. He is currently an adviser to a family office on biotechnology investments.

SUSAN CLEMENT-DAVIES Non-Executive Director
Susan is an experienced financier with over 25 years of capital markets and investment banking experience, including 10 years at Citigroup as Managing Director of Equity Capital Markets and most recently as Managing Director of Torreya, an investment bank solely focused on life sciences. Susan has a BSc in Economics from University College London and a MSc in Economics from the London School of Economics. Susan became a Director of Evgen Pharma plc in November 2018.

DIRECTORS' REPORT
for the year ended 31 March 2019

Financial Statements
The Directors of Evgen Pharma plc (registered in England and Wales: 09246681) present their report together with the audited consolidated financial statements and the Company financial statements for the year ended 31 March 2019.

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

	Capacity	
Stephen Franklin	Chief Executive Officer	Appointed 2 October 2014
Barry Clare	Chairman	Appointed 2 October 2014
Richard Moulson	Chief Financial Officer	Appointed 17 January 2017
Susan Foden	Non-Executive and Senior Independent Director	Appointed 21 November 2014
Alan Barge	Non-Executive Director	Appointed 21 October 2015
Susan Clement-Davies	Non-Executive Director	Appointed 1 November 2018
Marc d'Abbadie	Non-Executive Director	Resigned 7 November 2018

Biographical details of Evgen's Directors are shown on page 6.

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 - 5.

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 2019 are presented on page 19. The Group's net loss after tax for the year was £2.6m (2018: £2.6m).

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

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

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

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

Authority to issue shares
At the Annual General Meeting on 18 July 2019 authority will be sought from shareholders to allow the Directors to allot relevant securities up to an aggregate nominal value of £110,271, representing one-third of the issued share capital, and to allot for cash equity securities having a nominal value not exceeding in aggregate £66,162 (being 20% of the issued share capital).

Post-year end share placing
Subsequent to the year end 33,333,329 ordinary shares were issued at a price of 15p per share raising £5.0 million before expenses.

Substantial shareholdings
At 11 June 2019, 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	16,186,446	12.2%
Mercia Fund Managers	15,723,818	11.9%
AXA Framlington Investment Management Limited	11,848,884	8.9%
Ora Capital	10,325,000	7.8%
Seneca Investment Managers	7,243,097	5.5%
Amati Global	6,666,667	5.0%
Newlands Capital	6,044,815	4.6%
TS Capital	5,078,334	3.8%

DIRECTORS' REPORT
continued

Going concern
At 31 March 2019, the Group had cash and cash equivalents, including short-term investments and cash on deposit, of £2.0 million. Subsequent to the year end the Company received £5m before expenses through a share placing.

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

The Directors estimate that the cash held by the Group together with known receivables will be sufficient to support the current level of activities beyond the end of 2020.

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 auditor
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 auditor 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 auditor 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 auditor are aware of that information.

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

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

Annual General Meeting
The notice convening and giving details of the 2019 AGM of the Company to be held at the offices of RSM UK Audit LLP, 3 Hardman Street, Manchester M3 3HF on 18 July 2019 has been sent to shareholders.

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

Dr Stephen Franklin
Chief Executive Officer

12 June 2019

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

Company registration number: 09246681

CORPORATE GOVERNANCE REPORT

The Board applies the Quoted Companies Alliance ("QCA") Corporate Governance Code (to the extent practical given the Group's size and stage of development). The Directors support high standards of corporate governance and regards the QCA Code as appropriate to its stage of development.

Full details of our Corporate Governance approach can be found on our website: www.evgen.com.

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 16.

The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. The Board comprises the myself, two Executive Directors and three Non-Executive Directors. The Board considers all the Non-Executive Directors to be independent. Non-Executive Directors receive a fee for their services. 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.

The Board collectively has considerable experience in scientific, operational and financial development of biopharmaceutical companies. The experience, personal qualities and skills of the Directors are set out on page 6. The Directors regularly review the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

The Chairman and Non-Executive Directors maintain their skillsets through a combination of other executive, non-executive and advisory roles. In addition, knowledge is kept up to date on key issues and developments pertaining to the Group, and corporate governance matters, through updates from the Executive Directors and various external advisers.

The Board has sought advice during the year from remuneration consultancies in connection with the adjustments to the LTI Plan noted in the Remuneration Committee's report on page 12.

Board Committees

The Board has established Audit and Remuneration Committees of the Board with formally delegated duties and responsibilities. The membership and activity of these Committees is discussed in more detail in their respective reports.

Group culture

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the working practices adopted by all employees in the Group and consistent with the Group's strategy; they reflect the high ethical and regulatory compliance required of a biopharmaceutical business. The small number of staff within the Group allows for an open culture to be maintained with weekly communication to staff regarding progress, and staff feedback is regularly sought. Non-Executive Directors have frequent contact with various staff members and are able to monitor culture accordingly.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. Health and Safety is a standing agenda item at all Board meetings with any incidents reported at these meetings.

Frequency of, and attendance at, meetings

During the year the Group held formal Board meetings, Audit Committee meetings and Remuneration Committee meetings with attendance at these meetings as follows:

	Board Meetings	Audit Committee	Remuneration Committee
Stephen Franklin	11/11	N/A	N/A
Barry Clare	11/11	N/A	4/4
Richard Moulson	11/11	N/A	N/A
Susan Foden	11/11	3/3	4/4
Alan Barge	11/11	3/3	4/4
Susan Clement-Davies[1]	4/4	1/1	N/A
Marc d'Abbadie[2]	4/7	1/2	N/A

[1] Appointed 1 November 2018

[2] Resigned 7 November 2018

Alan Barge, Sue Foden and Susan Clement-Davies are considered to be independent Non-Executive Directors. These Directors are required to work a minimum of two days per month. Richard Moulson is required to work a minimum of two days per week

CORPORATE GOVERNANCE REPORT
continued

Risk Management and Control
The Board is responsible for the systems of risk management and 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. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually.

The Group operates in an inherently high risk and heavily regulated sector and this is reflected in the principal risks and uncertainties set out on page 5.

The Group maintains a risk register to monitor the various operating, financial, commercial and strategic risks faced by the business. This is reviewed and discussed at each monthly Board meeting.

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

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 comprehensively reviewed on a periodic basis.

The senior management team meet weekly to monitor clinical progress and to consider new risks and opportunities presented to the Group, communicating and advising the Board as appropriate.

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

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

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

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

Board Performance
The Board is in the process of engaging an independent third party organisation to manage a process for evaluation of its own performance, that of its committees and individual Directors, including the Chairman. The results of the evaluation process will be analysed and reported back to the Board for subsequent follow-up.

The Board may utilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning.

Appraisals are carried out annually with all Executive Directors.

Barry Clare
Chairman

12 June 2019

REMUNERATION COMMITTEE REPORT

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

The responsibilities of the Committee include the following:

- Determining and agreeing with the Board the remuneration policy for all Directors.
- Within the terms of the agreed policy, determining the total individual remuneration package for Executive Directors.
- Overseeing the evaluation of Executive Officers.

Our aim is to deliver a remuneration programme that rewards both achievement of short-term goals and fulfilment of our longer-term objectives in realising the clinical potential of sulforaphane.

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.

We recognise the need to retain and motivate our Executive Directors and senior management team and the need to avoid making remuneration decisions solely based on shorter-term volatility. Accordingly, we include two performance-based elements in our remuneration programme; a shorter term annual bonus programme, with payment amounts based on the previous year's achievement against pre-set personal and corporate goals for that year; and a longer-term equity-based programme of share options, vesting over three years and directed towards the achievement of substantial, longer-term strategic objectives.

Remuneration Policy for Executive Directors

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

Since its IPO Evgen has operated the following share plans:

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

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

The remuneration of the Executive Directors during the year ended 31 March 2019 is set out below:

Basic salary

Basic salaries are reviewed annually.

The purpose of the base salary is to:

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

Bonuses

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

The performance targets for the financial year ending 31 March 2020 have been set by the Remuneration Committee and include Group corporate, financial and personal performance targets.

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

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

Benefits

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

REMUNERATION COMMITTEE REPORT
continued

Long term incentives

SHARE PLANS OPERATED PRIOR TO ADMISSION

Prior to Admission the Company granted share awards under stand-alone option agreements as well as operating the following share plans:

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

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

LONG TERM INCENTIVE PLAN

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.

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.

During recent months the Remuneration Committee has reviewed the use of absolute total shareholder return as the sole determinant of option vesting. For each for the grants made in 2015 and potentially 2016 the criteria either have not been met or are unlikely to be met and thus none of the options have or will vest.

The absence of vesting of these options is a fair reflection of the share price performance since IPO and returns to shareholders but of course does not achieve the aims of the LTIP to retain and incentivise key staff nor allow them to build a meaningful stake in the company going forward.

Taking all this into consideration, the Committee decided to rebase the reward structure and performance criteria for the LTIP awards so that management have a realistic chance of achieving a return on the option grants made in 2019 and onwards which would vest in 2022 and following years.

After taking advice from external experts such as RSM, vesting based on the achievement of absolute total shareholder return targets has been changed to a combination of total shareholder return measured against an index of comparator companies (70%), and performance against strategic corporate objectives over three years (30%). The Committee believe these measures will provide a better assessment of management performance and will be applicable to awards made subsequent to the 2019 AGM.

Pension

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

Executive Directors' service contracts and termination provisions

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

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

Non-Executive Directors

The Non-Executive Directors have entered into letters of appointment with the Company, with the Board determining the fees paid to the Non-Executive Directors, with regard to market comparatives and similar businesses. The Non-Executive Directors do not currently 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 contractual terms of the Non-Executive Directors are reviewed by the Board annually. Current contracts are set out below:

	Date of Contract	Initial term
Barry Clare	14 October 2015	1 month notice
Susan Foden	14 October 2015	Three years
Alan Barge	14 October 2015	Three years
Susan Clement-Davies	1 November 2018	Three years

Non-Executive Directors are typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period,

Directors' remuneration during the year ended 31 March 2019

The Directors received the following remuneration during the year:

	Salaries and fees £	Taxable benefits £	Bonuses £	Pension contributions £	Total year ended 31 March 2019 £	Salaries and fees £	Taxable benefits £	Bonuses £	Pension contributions £	Total year ended 31 March 2018 £
Executive										
Stephen Franklin	155,450	3,313	54,408	15,129	**228,300**	151,290	2,375	45,387	15,550	214,602
Richard Moulson[1]	70,635	3,008	20,036	—	**93,679**	76,180	1,971	16,000	—	94,151
Non-Executive										
Barry Clare	35,000	—	—	—	**35,000**	35,000	—	—	—	35,000
Susan Foden	26,500	—	—	—	**26,500**	26,500	—	—	—	26,500
Alan Barge[2]	24,300	—	—	—	**24,300**	22,500	—	—	—	22,500
Marc d'Abbadie[3]	15,986	—	—	—	**15,986**	26,500	—	—	—	26,500
Susan Clement-Davies	9,375	—	—	—	**9,375**	—	—	—	—	—
	337,246	6,321	74,444	15,129	**433,140**	337,970	4,346	61,387	15,550	419,253

Susan Clement-Davies became a Director of Evgen Pharma plc on 1 November 2018. Marc d'Abbadie resigned as a Director on 7 November 2018. There were no LTIP gains during the year (2018: £nil).

No Directors waived emoluments in the period ended 31 March 2019.

[1] Includes fees of £14,950 (2018: £17,970) paid to FD Consult Ltd, a related party as detailed in Note 18.
[2] Includes fees of £1,800 (2018: £nil) paid to Alan Barge, as detailed in Note 18.
[3] Includes fees of £15,986 (2018: £26,500) paid to SPARK Impact Limited, as detailed in Note 18.

Directors' shareholdings

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

Ordinary shares of 0.25p each	At 31 March 2019	At 31 March 2018
Executive		
Stephen Franklin	**1,416,867**	1,416,867
Richard Moulson	**41,667**	41,667
Non-Executive		
Barry Clare[1]	**1,023,441**	1,023,441
Susan Foden	**—**	—
Alan Barge	**—**	—
Susan Clement-Davies	**—**	—
Marc d'Abbadie[2]	**16,186,446**	16,186,446

[1] Of the ordinary shares set out above Barry Clare is indirectly interested in 592,508 (2018: 592,508) ordinary shares in the Company held by Clarat Partners LLP by virtue of being a member of Clarat Partners LLP.
[2] 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 and resigned as a Director on 7 November 2018.

Bonus

In recognition of contributions 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.

REMUNERATION COMMITTEE REPORT
continued

Directors' Share Options
Share options are granted under the LTIP as follows:

- An initial award to Executive Directors on joining the Company to support the recruitment and retention of key individuals.
- As an annual award to Executive Directors, to be made henceforward around the time of the AGM.

In relation to existing grants annual awards vest on the third anniversary from the date of grant. The percentage that vest is determined by the Company's share price or total shareholder return (TSR) on the vesting date. In the case of awards made during 2015 and 2016, from 25% if the price is at least 37p up to 100% on a straight-line basis if it is 55p or greater; if the price is less than 37p these options lapse. For awards made during 2017 and 2018, vesting is on a similar straight-line basis by reference to TSR where 25% vest if TSR is 10% from the date of grant and 100% vest if it is 20%; if TSR is less than 10% these options will lapse.

Henceforward, the quantum vesting at 3 years will based on relative shareholder return against a basket of comparable companies and achievement of specified corporate goals. The former will account for up to 70% of the total that may vest; with vesting nil at below median performance, 25% thereof at median and then on a straight-line basis up to 100% at upper quartile. Achievement of corporate goals will account for up to 30% of total potential vesting, except that there will be no vesting unless at least median relative shareholder return is achieved.

Details of these LTIP awards together with outstanding options granted to the Executive Directors prior to Admission are set out in the table below. Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of these options are as follows:

Director	Plan	Date of grant	At 1 April 2018	Granted during the period	Lapsed during the period	Exercised during the period	At 31 March 2019	Price per share (£)	Date from which exercisable	Expiry date
Stephen Franklin	Pre IPO	21 Nov 2011	1,015,200	—	—	—	1,015,200	0.05	31 Aug 2013	20 Nov 2021
	Pre IPO	23 Dec 2013	1,940,800	—	—	—	1,940,800	0.0265375	21 Oct 2015	22 Dec 2023
	Pre IPO	26 Jun 2015	884,000	—	—	—	884,000	0.008875	21 Oct 2015	26 Jun 2025
	Pre IPO	26 Jun 2015	132,800	—	—	—	132,800	0.00875	21 Oct 2015	26 Jun 2025
	LTIP	21 Oct 2015	389,189	—	—	—	389,189	Nil	21 Oct 2015	20 Oct 2025
	LTIP	21 Oct 2015	389,189	—	—	—	389,189	Nil	21 Oct 2016	20 Oct 2025
	LTIP	21 Oct 2015	389,189	—	(389,189)	—	—	Nil	21 Oct 2018	20 Oct 2025
	LTIP	31 Oct 2016	276,173	—	—	—	276,173	Nil	31 Oct 2019	30 Oct 2026
	LTIP	21 Dec 2017	437,760	—	—	—	437,760	Nil	21 Dec 2020	20 Dec 2027
	LTIP	28 Jan 2019	—	471,061	—	—	471,061	Nil	28 Jan 2022	27 Jan 2029
			5,854,300	**471,061**	**(389,189)**	**—**	**5,936,172**			
Barry Clare	Pre IPO	18 Aug 2010	456,000	—	—	—	456,000	0.008875	21 Oct 2015	17 Aug 2020
	Pre IPO	11 Jan 2011	86,400	—	—	—	86,400	0.00875	8 Jul 2014	10 Jan 2021
	Pre IPO	25 Nov 2011	272,000	—	—	—	272,000	0.05	31 Aug 2013	24 Nov 2021
	Pre IPO	14 Aug 2013	224,800	—	—	—	224,800	0.10615	14 Aug 2015	13 Aug 2023
	LTIP	21 Oct 2015	145,945	—	—	—	145,945	Nil	21 Oct 2015	20 Oct 2025
	LTIP	21 Oct 2015	145,946	—	—	—	145,946	Nil	21 Oct 2016	20 Oct 2025
	LTIP	21 Oct 2015	145,946	—	(145,946)	—	—	Nil	21 Oct 2018	20 Oct 2025
			1,477,037	**—**	**(145,946)**	**—**	**1,331,091**			
Richard Moulson	LTIP	21 Dec 2017	289,352	—	—	—	289,352	Nil	21 Dec 2020	20 Dec 2027
	LTIP	28 Jan 2019	—	155,682	—	—	155,682	Nil	28 Jan 2022	27 Jan 2029
			289,352	**155,682**	**—**	**—**	**445,034**			
Susan Foden	Pre IPO	25 Nov 2011	136,000	—	—	—	136,000	0.05	31 Aug 2013	24 Nov 2021
Alan Barge	Pre IPO	1 May 2012	272,000	—	—	—	272,000	0.05	1 May 2014	1 May 2022
			8,028,689	**626,743**	**(535,135)**	**—**	**8,120,297**			

Susan Foden
Remuneration Committee Chair

12 June 2019

AUDIT COMMITTEE REPORT

The Audit Committee is a subcommittee of the Board and is responsible for ensuring effective governance over financial reporting and internal controls. The Committee represents the interests of the shareholders in relation to the integrity of information and the effectiveness of audit processes in place. The members of the Audit Committee are Susan Clement-Davies (Chair), Susan Foden and Alan Barge. Susan Clement-Davies was appointed at the end of March 2019 following the resignation of Marc d'Abbadie from the Board who was the previous Chair. She has relevant financial experience.

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 statements
- 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.

The Audit Committee normally meets at least three times a year with time allowed for discussion without any members of the executive team being present, to allow the external auditor to raise any issues of concern. Audit Committee meetings may be attended, by invitation, by the Chief Financial Officer and other Directors and by the Group's auditors.

The Committee has responsibility for, amongst other things, planning and reviewing the Annual Report and Accounts and Interim Statements involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures the auditors' independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal control is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

During the year ended 31 March 2019, the Audit Committee met three times. The Committee reviewed and approved the financial statements for the year ended 31 March 2018, the interim results for the six months to 30 September 2018 and the external auditor's plan for the 2019 external audit. The Audit Committee has satisfied itself that the external auditor is independent. The Audit Committee has concluded that the external audit process was effective, that the scope of the audit was appropriate and that significant judgements have been robustly challenged. No significant issues have been reported by the auditor.

The Audit Committee does not believe it necessary at this time to propose re-tendering of the audit contract. A resolution for the re-appointment of RSM as the statutory auditor will be proposed at the forthcoming Annual General Meeting. No formal recommendations other than the approval of the Interim Statement and Annual Report and Accounts have been made to the Board by the Audit Committee.

Susan Clement-Davies
Audit Committee Chair

12 June 2019

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 are required by the AIM rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law 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; and
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Evgen Pharma plc website.

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

INDEPENDENT AUDITORS' REPORT

to the members of EVGEN PHARMA plc

Opinion

We have audited the financial statements of Evgen Pharma plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated and company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 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 company 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Parent company key audit matter

Carrying value of intra-group balances

The risk

At 31 December 2018 the parent company balance sheet includes amounts due from subsidiary undertakings of £7,498,000 (2017: £6,432,000) as disclosed in Note 11 and sources of estimation uncertainty on page 28. The key audit matter is that this balance may not be recoverable owing to ongoing losses sustained in the group's subsidiary undertaking. The recovery of these balances is judgemental and the directors have provided us with their assessment of recoverability through multiple scenarios, including the present value of future cashflows and also through assessing the value of the group (including assessment of the current market capitalisation).

Our response

We performed work on the directors' assessment as follows:

- Reviewing forecasts and challenging the assumptions used in determining the present value of future cashflows, including the time value of money and probability weighted income streams;
- Challenging management on their assessment of the valuation of the group; and
- Ensuring adequate disclosure in the notes to the financial statements.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £123,000, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £114,000, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £5,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The audit was scoped to ensure that the audit team obtained sufficient and appropriate audit evidence in relation to significant operations of the Group during the year ended 31 March 2019 and the appropriateness of the going concern assumption used in the preparation of the financial statements. This included the performance of full statutory audits on each of the subsidiary undertakings. As part at our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were designed and performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

Other information

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

INDEPENDENT AUDITORS' REPORT
continued

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Chartered Accountants
14th Floor
20 Chapel Street
Liverpool
L3 5RF

12 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	Notes	**Year ended 31 March 2019 £'000**	Year ended 31 March 2018 £'000
Operating expenses			
Operating expenses	3	**(2,985)**	(2,915)
Share based compensation	5	**(135)**	(111)
Total operating expenses	3	**(3,120)**	(3,026)
Operating loss	3	**(3,120)**	(3,026)
Loss on ordinary activities before taxation		**(3,120)**	(3,026)
Taxation	6	**496**	443
Loss and total comprehensive expense attributable to equity holders of the parent for the year		**(2,624)**	(2,583)
Loss per share attributable to equity holders of the parent (pence)	7		
Basic loss per share		**(2.74)**	(3.28)
Diluted loss per share		**(2.74)**	(3.28)

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

as at 31 March 2019

	Notes	Group		Company	
		As at 31 March 2019 £'000	As at 31 March 2018 £'000	**As at 31 March 2019 £'000**	As at 31 March 2018 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	**6**	12	**—**	—
Intangible assets	9	**98**	113	**—**	—
Investments in subsidiary undertaking	10	**—**	—	**73**	73
Total non-current assets		**104**	125	**73**	73
Current assets					
Trade and other receivables	11	**135**	77	**7,562**	6,490
Current tax receivable		**492**	432	**162**	71
Cash and cash equivalents	12	**2,033**	3,626	**1,903**	3,499
Total current assets		**2,660**	4,135	**9,627**	10,060
Total assets		**2,764**	4,260	**9,700**	10,133
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	13	**688**	389	**217**	195
Total current liabilities		**688**	389	**217**	195
Equity					
Ordinary shares	14	**247**	233	**247**	233
Share premium	14	**13,240**	12,560	**13,240**	12,560
Merger reserve	14	**2,067**	2,067	**—**	—
Share based compensation	14	**1,722**	1,587	**1,106**	971
Retained deficit	14	**(15,200)**	(12,576)	**(5,110)**	(3,826)
Total equity attributable to equity holders of the parent		**2,076**	3,871	**9,483**	9,938
Total liabilities and equity		**2,764**	4,260	**9,700**	10,133

No Statement of Comprehensive Income is presented in these financial statements for the parent company as provided by Section 408 of the Companies Act 2006. The loss for the financial year dealt with in the financial statements of the parent company was £1,284k (2018: £1,051k).

The financial statements on pages 19 to 40 were approved by the Board of Directors and authorised for issue on 12 June 2019 and were signed on its behalf by:

Stephen Franklin
Chief Executive Officer

12 June 2019

Evgen Pharma plc,
Registered number: 09246681

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Ordinary shares £'000	Share premium £'000	Merger reserve £'000	Share based compensation £'000	Retained deficit £'000	Total £'000
Balance at 31 March 2017	183	10,495	2,067	1,476	(9,993)	4,228
Total comprehensive expense for the period	—	—	—	—	(2,583)	(2,583)
Transactions with owners						
Share issue – cash	48	2,034	—	—	—	2,082
Share issue – options exercised	2	31	—	—	—	33
Share based compensation – share options	—	—	—	111	—	111
Total transactions with owners	**50**	**2,065**	**—**	**111**	**—**	**2,226**
Balance at 31 March 2018	**233**	**12,560**	**2,067**	**1,587**	**(12,576)**	**3,871**
Total comprehensive expense for the period	—	—	—	—	(2,624)	(2,624)
Transactions with owners						
Share issue – cash	14	668	—	—	—	682
Share issue – options exercised	—	12	—	—	—	12
Share based compensation – share options	—	—	—	135	—	135
Total transactions with owners	**14**	**680**	**—**	**135**	**—**	**829**
Balance at 31 March 2019	**247**	**13,240**	**2,067**	**1,722**	**(15,200)**	**2,076**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Attributable to equity holders of the parent				
	Ordinary shares £'000	**Share premium £'000**	**Share based compensation £'000**	**Retained deficit £'000**	**Total £'000**
Balance at 31 March 2017	183	10,495	861	(2,775)	8,764
Total comprehensive expense for the period	—	—	—	(1,051)	(1,051)
Transactions with owners					
Share issue – cash	48	2,034	—	—	2,082
Share issue – options exercised	2	31	—	—	33
Share based compensation – share options	—	—	110	—	110
Total transactions with owners	**50**	**2,065**	**110**	**—**	**2,226**
Balance at 31 March 2018	**233**	**12,560**	**971**	**(3,826)**	**9,938**
Total comprehensive expense for the period	—	—	—	(1,284)	(1,284)
Transactions with owners					
Share issue – cash	14	668	—	—	682
Share issue – options exercised	—	12	—	—	12
Share based compensation – share options	—	—	135	—	135
Total transactions with owners	**14**	**680**	**135**	**—**	**829**
Balance at 31 March 2019	**247**	**13,240**	**1,106**	**(5,110)**	**9,483**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

for the year ended 31 March 2019

	Group		Company	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000	**Year ended 31 March 2019 £'000**	Year ended 31 March 2018 £'000
Cash flows from operating activities				
Loss before taxation	**(3,120)**	(3,026)	**(1,461)**	(1,129)
Depreciation and amortisation	**21**	21	**—**	—
Share based compensation	**135**	111	**135**	111
	(2,964)	(2,894)	**(1,326)**	(1,018)
Changes in working capital				
(Increase)/decrease in trade and other receivables	**(58)**	7	**(1,072)**	(1,254)
Increase/(decrease) in trade and other payables	**299**	(125)	**22**	(38)
Cash used in operations	**241**	(118)	**(1,050)**	(1,292)
Taxation received	**436**	671	**86**	7
Net cash used in operating activities	**(2,287)**	(2,341)	**(2,290)**	(2,303)
Cash flows (used in)/generated from investing activities				
Acquisition of tangible fixed assets	**—**	(7)	**—**	—
Net cash (used in)/generated from investing activities	**—**	(7)	**—**	—
Cash flows from financing activities				
Proceeds from issue of shares	**761**	2,333	**761**	2,333
Issue costs	**(67)**	(218)	**(67)**	(218)
Net cash generated from financing activities	**694**	2,115	**694**	2,115
Movements in cash and cash equivalents in the period	**(1,593)**	(233)	**(1,596)**	(187)
Cash and cash equivalents at start of period	**3,626**	3,859	**3,499**	3,686
Cash and cash equivalents at end of period	**2,033**	3,626	**1,903**	3,499

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation

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

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

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

Basis of consolidation

The financial statements 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 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.

At 31 March 2019, the Group had cash and cash equivalents, including short-term investments and cash on deposit, of £2.0 million. Subsequent to the year end the Company received £5m before expenses through a share placing.

The Directors estimate that the cash held by the Group together with known receivables will be sufficient to support the current level of activities beyond the end of 2020.

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 – 10-20 years

An impairment review is performed annually.

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

Property, plant and equipment

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

Plant, fixtures and fittings – 3 years reducing balance
IT Equipment – 3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the 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, including R&D tax credits, is based on taxable income for the period and any adjustment to tax from previous periods. Taxable income differs from net income in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods or that are never taxable or deductible. The calculation uses the latest tax rates for the period that have been enacted or substantively enacted by the dates of the Consolidated Statement of Financial Position.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
continued

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

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

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

Pension costs
The Group makes contributions to the private pension schemes of 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.

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

Trade and other receivables
Trade and other receivables that do not contain a significant financing component are initially recognised at fair value and subsequently held at amortised cost less provision for impairment.

IFRS 9 introduces an impairment model. Under IAS 39, an entity only considers those impairments that arise as a result of incurred loss events. The effects of possible future loss events cannot be considered, even when they are expected. IFRS 9 introduces an expected credit loss model which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this model, expectations of future events must be taken into account and this could result in the earlier recognition of impairments.

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.

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

Trade and other payables
Trade and other payables are not interest-bearing and are stated at nominal value.

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 its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

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 (see Note 17).

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

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

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

(a) The share capital and share premium account arising on the issue of shares

(b) Merger reserve, which was created as a result of the acquisition by the Company of the entire issued share capital of Evgen Limited on 5 December 2014. This reserve is not considered to be distributable

(c) The share based compensation reserve results from the Group's grant of equity-settled share options to selected employees and Directors

(d) 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 estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

NOTES TO THE FINANCIAL STATEMENTS
continued

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

Estimation uncertainty
Receivables from the subsidiary represents an interest free amounts advanced to group companies with no fixed repayment dates, being amounts due from Evgen Limited advanced to support the Group's research expenditure. In accordance with IFRS 9 'Financial Instruments', where the counterparty would not be able to repay the loan if demanded at the reporting date, the Company has made an assessment of expected credit losses.

The R&D tax credit figure of £0.49m included in the accounts is a management estimate which is subject to amendment by HMRC.

Share based payment charge
During the years ended 31 March 2019 and 31 March 2018, the Group issued a number of share options to certain employees. A Black-Scholes model was used to calculate the appropriate charge for these periods. The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge. The total charge recognised in the year to 31 March 2019 was £135,000 (year to 31 March 2018 £111,000).

Accounting developments
During the year the Group and Company adopted the following standards effective from the 1 January 2018. The Group has applied these standards in the preparation of the financial statements, and has not adopted any new or amended standards early.

- IFRS 2 Classification and measurement of share-based payment transactions
- IFRS 15 Revenues from Contracts with Customers is effective for periods beginning on or after 1 January 2018. It introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts, The Group has adopted IFRS 15 for the financial year starting 1 April 2018. The new standard has not had a material impact on the Group's financial statements as the Group has no revenue bearing contracts with customers.
- IFRS 16 is not expected to have a material effect on the Group's figures since there are no material leases of over 12 months.
- IFRS 9 Financial instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for accounting periods beginning on or after 1 January 2018. The standard covers three elements:
  - Classification and measurement: Changes to a more principle-based approach to classify financial assets as either held at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss, dependent on the business model and cash flow characteristics of the financial asset;
  - Impairment: Moves to an impairment model based on expected credit losses based on a three-stage approach; and
  - Hedge accounting: The IFRS 9 hedge accounting requirements are designed to allow hedge accounting to be more closely aligned with the Group's underlying risk management.

The Group has adopted IFRS 9 for the financial year starting 1 April 2018. The Group does not hold complex financial instruments and therefore the majority of changes to the standard do not change the existing accounting for assets and liabilities held. All the Company's financial assets were previously classified as loans and receivables under IAS 39 and are classified as assets at amortised cost under IFRS 9. All financial liabilities will continue to be measured at amortised cost. The Group has chosen not to restate comparatives on adoption of IFRS 9 given the immaterial nature of the transitional impacts.

3. OPERATING LOSS

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

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Research and development expenses:		
Amortisation of licences	**15**	15
Other research and development	**1,689**	1,669
Staff costs (including share based compensation) – Note 5	**879**	759
Establishment and general:		
Depreciation of property, plant and equipment	**6**	6
Operating lease cost – land and buildings	**32**	22
Foreign exchange loss/(profit)	**—**	(1)
Other administrative expenses	**499**	556
Total operating expenses	**3,120**	3,026

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 2019 £'000	Year ended 31 March 2018 £'000
Fees payable to the Group's auditors for the audit of:		
the consolidated and Company annual accounts	**16**	15
the subsidiary's annual accounts	**15**	14
Total audit fees	**31**	29
Audit related services	**3**	4
Total audit related fees	**3**	4
Other services	**8**	8
Total non-audit fees	**8**	8

NOTES TO THE FINANCIAL STATEMENTS
continued

5. EMPLOYEES AND DIRECTORS

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

	Group		Company	
	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number	**Year ended 31 March 2019 Number**	Year ended 31 March 2018 Number
Management	**3**	3	**3**	3
Administration	**—**	1	**—**	—
Development	**2**	2	**2**	2
Non-Executive	**3**	3	**3**	3
Average total persons employed	**8**	9	**8**	8

As at 31 March 2019 the Group had 7 employees (31 March 2018: 11).

Staff costs in respect of these employees were:

	Group		Company	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000	**Year ended 31 March 2019 £'000**	Year ended 31 March 2018 £'000
Wages and salaries	**638**	564	**634**	545
Employers National Insurance	**83**	60	**83**	58
Employers pension costs	**23**	24	**22**	23
Total payrolled employee costs	**744**	648	**739**	626
Share-based payments	**135**	111	**135**	111
Total employee costs	**879**	759	**874**	737

The Group makes contributions to the private pension schemes of Directors and employees. One Director received payments into a private pension scheme.

The total remuneration of the highest paid Director excluding grants of share options was £228,300 (31 March 2018: £214,602).

The Directors have the authority and responsibility for planning, directing and controlling, directly or indirectly, the activities of the Group and they therefore comprise key management personnel as defined by IAS 24.

Aggregate emoluments of Directors:

	Group and Company	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Salaries and other short-term employee benefits	**418**	403
Employers National Insurance	**55**	35
Pension contributions	**15**	16
Options vesting under share option schemes	**—**	—
Total remuneration including vesting of share options	**488**	454

Directors emoluments include amounts payable to third parties as described in Note 18

6. TAXATION

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Current tax		
Current period – UK corporation tax	**—**	—
R&D tax credit	**492**	432
Adjustments in respect of prior periods	**4**	11
Net tax credit	**496**	443

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

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Loss on ordinary activities before taxation	**(3,120)**	(3,026)
Loss before tax at the effective rate of corporation tax in the United Kingdom of 19% (2018: 19%)	**(593)**	(575)
Effects of:		
Losses not recognised	**593**	575
R&D tax credit	**(496)**	(443)
Tax credit for the year	**(496)**	(443)

The Group has an unrecognised deferred tax asset of £2.8m (2018: £2.5m) related to accumulated tax losses. The Company has an unrecognised deferred tax asset of £1.5m (2018: £1.3m) 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

7. 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 2019 the Group had 9,075,599 (2018: 8,665,255) share options outstanding which are potentially dilutive.

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

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Loss for the year attributable to equity holders for basic loss and adjusted for the effects of dilution	**(2,624)**	(2,583)

	Year ended 31 March 2019 Number	Year ended 31 March 2018 Number
Weighted average number of ordinary shares for basic loss per share	**95,857,230**	78,697,455
Effects of dilution:		
Share options	**—**	—
Weighted average number of ordinary shares adjusted for the effects of dilution	**95,857,230**	78,697,455

	Year ended 31 March 2019 Pence	Year ended 31 March 2018 Pence
Loss per share – basic and diluted	**(2.74)**	(3.28)

The loss and the weighted average number of ordinary shares for the years ended 31 March 2018 and 2019 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.

Subsequent to the year end 33,333,329 ordinary shares were issued pursuant to a share placing. Had this event occurred during the reporting period the number of shares used in the loss per share calculation would have been significantly different.

8. PROPERTY, PLANT AND EQUIPMENT

Group	Plant, fixtures & fittings £'000	IT Equipment £'000	Total £'000
Cost			
At 31 March 2017	2	17	19
Additions	—	7	7
Disposals	—	(1)	(1)
At 31 March 2018	2	23	25
Disposals	—	(1)	(1)
At 31 March 2019	**2**	**22**	**24**
Accumulated Depreciation			
At 31 March 2017	1	7	8
Charge for the period	—	6	6
Disposals	—	(1)	(1)
At 31 March 2018	1	12	13
Charge for the period	—	6	6
Disposals	—	(1)	(1)
At 31 March 2019	**1**	**17**	**18**
Net Book Value			
At 31 March 2017	1	10	11
At 31 March 2018	1	11	12
At 31 March 2019	**1**	**5**	**6**

Depreciation is charged to operating expenses. As at 31 March 2019, the Company had no property, plant and equipment (31 March 2018: £nil).

9. INTANGIBLE ASSETS

Group	Licences £'000
Cost	
At 31 March 2017, 31 March 2018 and 31 March 2019	**168**
Amortisation	
At 31 March 2017	40
Charge for the period	15
Amortisation	
At 31 March 2018	55
Charge for the period	15
At 31 March 2019	**70**
Net Book Value	
At 31 March 2017	128
At 31 March 2018	113
At 31 March 2019	**98**

Intangible assets constitute licenses to intellectual property. The remaining amortisation periods are between 2 and 17 years.

NOTES TO THE FINANCIAL STATEMENTS
continued

9. 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 2019, the Company had no intangible assets.

10. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The consolidated financial statements of the Group as at 31 March 2019 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%

The registered office of Evgen Limited is 146 Brownlow Hill, Liverpool, L3 5RF.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000	**Year ended 31 March 2019 £'000**	Year ended 31 March 2018 £'000
Amounts receivable within one year				
Other receivables	**15**	3	**—**	3
Other taxation and social security	**82**	28	**28**	11
Prepayments	**38**	46	**36**	44
Amounts due from subsidiary undertakings	**—**	—	**7,498**	6,432
Trade and other receivables	**135**	77	**7,562**	6,490

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. In addition, an expected credit losses model is used which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this model, expectations from future events are taken into account which could result in the earlier recognition of impairments. Details on the Group's credit risk management policies are shown in Note 17. The Group does not hold any collateral as security for its trade and other receivables.

12. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Group		Company	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000	**Year ended 31 March 2019 £'000**	Year ended 31 March 2018 £'000
Cash at bank and in hand	**2,033**	3,626	**1,903**	3,499

At 31 March 2019 the Group and Company had no deposits with original maturity of twelve months or less (2018: £nil).

13. TRADE AND OTHER PAYABLES

	Group		Company	
	As at 31 March 2019 £'000	As at 31 March 2018 £'000	**As at 31 March 2019 £'000**	As at 31 March 2018 £'000
Amounts falling due within one year				
Trade payables	**532**	102	**94**	48
Other taxation and social security	**70**	22	**70**	21
Accrued expenses	**86**	265	**53**	126
Trade and other payables	**688**	389	**217**	195

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

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

14. ISSUED CAPITAL AND RESERVES

Ordinary shares

	Company	
Ordinary shares of 0.25p each	**Number**	**Share Capital £'000**
At 31 March 2018	**93,276,858**	**233**
Issued on exercise of options	158,918	—
Issued under placing agreement	5,555,558	14
At 31 March 2019	**98,991,334**	**247**

On 10 July 2018 80,000 ordinary shares were issued in connection with the exercise of share options at an exercise price of 7.3p per share payable in cash.

On 18 October 2018 5,555,558 ordinary shares were issued at a price of £0.135 raising £0.8 million which after share issue expenses of £0.1 million gave net consideration of £0.7 million.

On 19 December 2018 18,918 ordinary shares were issued in connection with the exercise of nil cost share options. On the same date 60,000 share options were issued for cash at an exercise price of 10.612p per share.

Subsequent to the year end 33,333,329 ordinary shares were issued at a price of £0.15 raising £5.0 million which after share issue expenses of £0.3 million gave net consideration of £4.7 million.

The ordinary shares rank pari passu in all respects in relation to dividends and repayment of capital, and have equal voting rights with one vote per share. There are no restrictions on the transferability of the shares.

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

Other reserves

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

The merger reserves at 31 March 2019 and 2018 arose from the acquisition of Evgen's sole subsidiary, Evgen Ltd, in 2014 which is accounted for using the merger method of accounting.

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

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

NOTES TO THE FINANCIAL STATEMENTS
continued

15. 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 2018: three), in addition share options have been granted under standalone unapproved share option agreements. Options are currently granted for £nil consideration and are exercisable at a price determined on the date of the grant.

At 31 March 2019 the Company had 9,075,599 (2018: 8,665,255) unissued ordinary shares of £0.0025 under the Company's share option schemes, details of which are as follows:

Grant date	Number	Option price (£)	Date from which exercisable	Expiry date
18 August 2010	456,000	0.008875	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 2021
25 November 2011	1,015,200	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	224,800	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	778,378	—	21 October 2015	21 October 2025
21 October 2015	291,891	—	21 October 2015	21 October 2025
08 June 2016	38,237	—	08 June 2019	08 June 2026
31 October 2016	276,173	—	30 October 2019	30 October 2026
31 October 2016	13,082	—	30 October 2019	30 October 2026
21 December 2017	741,191	—	21 December 2020	20 December 2027
06 July 2018	368,304	—	06 July 2021	06 July 2028
28 January 2019	826,743	—	28 January 2022	28 January 2029
	9,075,599			

Movements on share options during the year were as follows:

Exercise price	At 1 April 2018	Granted	Exercised	Lapsed/ cancelled	At 31 March 2019	Date from which exercisable	Expiry date
0.073	80,000	—	(80,000)	—	—	24 July 2011	24 July 2018
0.008875	456,000	—	—	—	456,000	21 October 2015	18 August 2020
0.00875	264,000	—	—	—	264,000	21 October 2015	18 August 2020
0.00875	144,000	—	—	—	144,000	08 July 2014	11 January 2021
0.05	1,423,200	—	—	—	1,423,200	31 August 2013	25 November 2011
0.05	272,000	—	—	—	272,000	01 May 2014	01 May 2022
0.10615	284,800	—	(60,000)	—	224,800	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	1,624,322	—	(18,918)	(535,135)	1,070,269	21 October 2015	21 October 2025
Nil	53,473	—	—	(15,236)	38,237	08 June 2019	08 June 2026
Nil	298,626	—	—	(9,371)	289,255	30 October 2019	30 October 2026
Nil	807,234	—	—	(66,043)	741,191	21 December 2020	20 December 2027
Nil	—	368,304	—	—	368,304	06 July 2021	06 July 2028
Nil	—	826,743	—	—	826,743	28 January 2022	28 January 2029
	8,665,255	**1,195,047**	**(158,918)**	**(625,785)**	**9,075,599**		

15. SHARE-BASED PAYMENTS (continued)

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

	As at 31 March 2019		As at 31 March 2018	
	Number	**Weighted average exercise price £**	Number	Weighted average exercise price £
Outstanding at start of the year	**8,665,255**	**0.0218**	8,695,621	0.0256
Granted	**1,195,047**	**—**	807,234	—
Exercised	**(158,918)**	**0.0768**	(837,600)	0.0397
Lapsed/cancelled	**(625,785)**	**—**	—	—
Outstanding at end of year	**9,075,599**	**0.0195**	8,665,255	0.0218
Exercisable at end of year	**6,811,869**	**0.0259**	6,970,787	0.0271

Options are only exercisable for cash. Options vest 3 years from grant subject to the achievement of absolute total shareholder return targets. Options which do not vest lapse. In general options also lapse if an employee leaves the Group.

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 2019 is £135,000 (2018: £111,000). 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. The expected volatility is assessed by reference to historic volatility and on the advice of the Company's brokers.

The weighted average remaining contractual life of share options outstanding at the end of the year was 5.46 years (2018: 5.91 years).

The weighted average fair value of options granted as of the grant date was £0.42 (2018: £0.44).

The weighted average share price used in the Black Scholes model was £0.36 (2018: £0.05).

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.

16. OPERATING LEASE ARRANGEMENTS

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Minimum lease payments under operating leases recognised as an expense in the period	**22**	22

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**	
	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000	**Year ended 31 March 2019 £'000**	Year ended 31 March 2018 £'000
Within one year	**15**	15	**15**	15

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

NOTES TO THE FINANCIAL STATEMENTS
continued

17. FINANCIAL RISK MANAGEMENT

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

Cash flow and liquidity risk

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

	Group		Company	
	Year ended 31 March 2019	Year ended 31 March 2018	**Year ended 31 March 2019**	Year ended 31 March 2018
	Financial assets at amortised cost £'000	Financial assets at amortised cost £'000	**Financial assets at amortised cost £'000**	Financial assets at amortised cost £'000
Assets as per statement of financial position				
Other receivables	**15**	3	**—**	3
Amounts due from subsidiary undertakings	**—**	—	**7,498**	6,432
Cash and cash equivalents	**2,033**	3,626	**1,903**	3,499
	2,048	3,629	**9,401**	9,934

	Group		Company	
	Year ended 31 March 2019	Year ended 31 March 2018	**Year ended 31 March 2019**	Year ended 31 March 2018
	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000	**Financial liabilities at amortised cost £'000**	Financial liabilities at amortised cost £'000
Liabilities as per statement of financial position				
Trade payables	**531**	102	**94**	48
Other creditors and accruals	**86**	265	**54**	126
	617	367	**148**	175

Credit risk

The Group gives careful consideration to which organisations it uses for banking in order to minimise credit risk. The Group holds cash with one large bank in the UK, an institution with an A2 credit rating (long term, as assessed by Moody's). The amounts of cash held with this bank 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 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.

17. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the year-end were nil (2018: nil).

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

Fair value of financial assets and liabilities

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

Credit risk

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

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

18. 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 Remuneration Committee Report.

During the year ended 31 March 2019, the Group purchased services totalling £131,661 (year ended 31 March 2018: £187,822) from The Clinical Trial Company Limited, a company of which Richard Moulson, a Director, is also a Director. The amount owed to The Clinical Trial Company Limited at 31 March 2019 was £13,922 (31 March 2018: £2,077).

During the year ended 31 March 2019, the Group purchased consultancy services totalling £1,800 (year ended 31 March 2018: £nil) from Dr Alan Barge, a Director. The amount owed to Dr Alan Barge at 31 March 2019 was £nil (31 March 2018: £nil).

During the year ended 31 March 2019, the Group purchased consultancy services totalling £14,950 (year ended 31 March 2018: £17,970) from FD Consult Ltd, a company controlled by Richard Moulson. The amount owed to FD Consult Ltd at 31 March 2019 was £nil (31 March 2018: £nil).

During the year ended 31 March 2019, the Group was charged monitoring and Director fees totalling £15,986 relating to Marc d'Abbadie's services (year ended 31 March 2018: £26,500) by SPARK Impact Limited, manager of North West Fund for Biomedical, a shareholder. The amount owed to SPARK Impact, manager of North West Fund for Biomedical at 31 March 2019 was £nil (31 March 2018: £nil).

Company
The Company is responsible for financing and setting Group strategy. The Company's subsidiary carried out the Group's development strategy and managed the Group's intellectual property. The Company provides interest free and unsecured funding to its subsidiary with no fixed date of repayment. Details of intercompany balances can be found in Note 11.

ADDRESSES AND ADVISERS

EVGEN PHARMA PLC
Registered office:
Liverpool Science Park Innovation Centre 2
146 Brownlow Hill
Liverpool
Merseyside
L3 5RF

Website: www.evgen.com

Registered number: 09246681
Domiciled in the United Kingdom
Registered in England and Wales

STATUTORY AUDITORS
RSM UK Audit LLP
14th Floor
20 Chapel Street
Liverpool
L3 9AG

NOMINATED ADVISER AND BROKER
finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

REGISTRAR
SLC Registrars (a division of Equiniti Limited)
Elder House
St. Georges Business Park
Brooklands Road
Weybridge
Surrey
KT13 0TS

LEGAL ADVISERS
Pinsent Masons LLP
30 Crown Place
London
EC2A 4ES

FINANCIAL PUBLIC RELATIONS
Buchanan Communications Limited
107 Cheapside
London
EC2V 6DN

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EVGEN PHARMA PLC
Registered office:
Liverpool Science Park Innovation Centre 2
146 Brownlow Hill
Liverpool
Merseyside
L3 5RF

Website: www.evgen.com

Registered number: 09246681
Domiciled in the United Kingdom
Registered in England and Wales