

Sygil Group Limited

Directors' Report and Unaudited

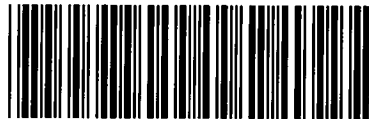
Financial Statements

Year Ended

31 March 2018

Company Number 07699497

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Sygil Group Limited

Company Information

Directors	S C Hirst J G Williams P J Clewlow V J Tabiner
Company secretary	V J Tabiner
Registered number	07699497
Registered office	The Discovery Building BioCity Pennyfoot Street Nottingham NG1 1GR

Sygil Group Limited

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Sygil Group Limited

Directors' report For the year ended 31 March 2018

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

Principal activity

The company is engaged in collaborative integrated drug discovery services to the pharmaceutical and biotechnology market.

Directors

The directors who served during the year were:

S C Hirst
J G Williams
P J Clewlow
J A Slack (non-executive) (resigned 29 September 2017)
L J Nisbet (non-executive) (resigned 29 September 2017)
V J Tabiner


Qualifying third party indemnity provisions

Throughout the year and up to the date of this report the company maintained qualifying third party indemnity insurance for the directors.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



S C Hirst
Director

Date: 18 DECEMBER 2018

Sygil Group Limited

Chartered accountants' report to the board of directors on the unaudited financial statements of Sygil Group Limited


In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Sygil Group Limited for the year ended 31 March 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance/>

This report is made solely to the board of directors of Sygil Group Limited, as a body, in accordance with the terms of our engagement letter dated 22 August 2018. Our work has been undertaken solely to prepare for your approval the accounts of Sygil Group Limited and state those matters that we have agreed to state to the board of directors of Sygil Group Limited, as a body, in this report in accordance with ICAEW Technical Release TECH07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Sygil Group Limited and its board of directors as a body for our work or for this report.

It is your duty to ensure that Sygil Group Limited has kept adequate accounting records and to prepare statutory accounts that give a true and fair view of the assets, liabilities, financial position and profit of Sygil Group Limited. You consider that Sygil Group Limited is exempt from the statutory audit requirement for the year .

We have not been instructed to carry out an audit or a review of the financial statements of Sygil Group Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory accounts.



BDO LLP
Nottingham
United Kingdom

18 DECEMBER 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Sygil Group Limited

**Statement of comprehensive income
For the year ended 31 March 2018**

	Note	2018 £	2017 £
Turnover		836,778	1,347,857
Cost of sales		(836,778)	(1,347,857)
Gross profit		-	-
Administrative expenses		(459)	(4,962)
Exceptional administrative expenses	5	(203,441)	-
Operating loss		(203,900)	(4,962)
Income from fixed assets investments		1,000,000	173,736
Interest receivable and similar income	6	12,714	24,163
Interest payable and expenses	7	(12)	-
Profit before taxation		808,802	192,937
Tax on profit	8	(2,413)	(4,815)
Profit for the year		806,389	188,122

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 7 to 17 form part of these financial statements.

Sygil Group Limited
Registered number: 07699497

Balance sheet
As at 31 March 2018

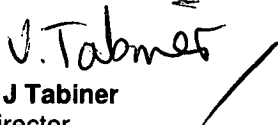
	Note	2018 £	2017 £
Fixed assets			
Investments	10	3,426,999	2,156,509
Current assets			
Debtors: amounts falling due within one year	11	-	15,631
Cash at bank and in hand	12	1,164,106	4,041,539
		<u>1,164,106</u>	<u>4,057,170</u>
Creditors: amounts falling due within one year	13	(6,878)	(1,804,903)
Net current assets		<u>1,157,228</u>	<u>2,252,267</u>
Total assets less current liabilities		<u>4,584,227</u>	<u>4,408,776</u>
Provisions for liabilities			
Net assets		<u><u>4,584,227</u></u>	<u><u>4,408,776</u></u>
Capital and reserves			
Called up share capital	14	107	102
Share premium account	15	187,822	47,728
Share based payment reserve	15	-	329,719
Profit and loss account	15	4,396,298	4,031,227
		<u>4,584,227</u>	<u>4,408,776</u>

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


V J Tabiner
Director

Date: 18 DECEMBER 2018

The notes on pages 7 to 17 form part of these financial statements.

Sygil Group Limited

**Statement of changes in equity
For the year ended 31 March 2018**

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2017	102	47,728	329,719	4,031,227	4,408,776
Comprehensive income for the year					
Profit for the year	-	-	-	806,389	806,389
Contributions by and distributions to owners					
Dividends paid	-	-	-	(867,478)	(867,478)
Shares issued during the year	5	140,094	-	-	140,099
Transfer to/from profit and loss account	-	-	-	426,160	426,160
Transfer between other reserves	-	-	(426,160)	-	(426,160)
Share based payment reserve movement	-	-	96,441	-	96,441
Total transactions with owners	5	140,094	(329,719)	(441,318)	(630,938)
At 31 March 2018	107	187,822	-	4,396,298	4,584,227

The notes on pages 7 to 17 form part of these financial statements.

Sygil Group Limited

**Statement of changes in equity
For the year ended 31 March 2017**

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2016	102	47,728	246,515	4,003,604	4,297,949
Comprehensive income for the year					
Profit for the year	-	-	-	188,122	188,122
Contributions by and distributions to owners					
Dividends paid	-	-	-	(173,736)	(173,736)
Transfer to/from profit and loss account	-	-	-	13,237	13,237
Transfer between other reserves	-	-	(13,237)	-	(13,237)
Share based payment reserve movement	-	-	96,441	-	96,441
Total transactions with owners	-	-	83,204	(160,499)	(77,295)
At 31 March 2017	102	47,728	329,719	4,031,227	4,408,776

The notes on pages 7 to 17 form part of these financial statements.

Sygil Group Limited

Notes to the financial statements For the year ended 31 March 2018

1. General information

Sygil Group Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the Directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The functional and presentation currency is GBP.

The following principal accounting policies have been applied:

2.2 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue represents the value of drug discovery services provided in the year excluding value added tax.

Revenue is recognised as contractual obligations are fulfilled. Fee for service work is recognised when the project is completed.

Certain contracts allow costs incurred on the projects to be recharged. Where the company is the principal in the transaction the turnover is recognised as the related costs are incurred.

2.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Group shares are stated at historic cost less impairment.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Notes to the financial statements
For the year ended 31 March 2018**

2. Accounting policies (continued)

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.7 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks and other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**Notes to the financial statements
For the year ended 31 March 2018**

2. Accounting policies (continued)

2.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.10 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

Sygil Group Limited

Notes to the financial statements For the year ended 31 March 2018

2. Accounting policies (continued)

2.13 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.14 Taxation

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgments:

Valuation of investments in associates

The carrying value is regularly review by reference to the net assets or liabilities of the subsidiary undertakings and current and expected future trading prospects. If there is evidence of impairment the carrying amount of the investment is reduced to its recoverable amount. The impairment amount is recognised immediately in the statement of comprehensive income.

4. Employees

The average monthly number of employees, including directors, during the year was 5 (2017 - 6).

5. Exceptional items

	2018 £	2017 £
Group restructuring costs	203,441	-

Exceptional costs relate to salary and professional services costs incurred in the process of restructuring the group.

Sygil Group Limited

**Notes to the financial statements
For the year ended 31 March 2018**

6. Interest receivable

	2018 £	2017 £
Other interest receivable	<u>12,714</u>	<u>24,163</u>

7. Interest payable and similar charges

	2018 £	2017 £
Other interest payable	<u>12</u>	<u>-</u>

8. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	<u>2,413</u>	<u>4,815</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>2,413</u>	<u>4,815</u>

Sygil Group Limited

Notes to the financial statements For the year ended 31 March 2018

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	808,802	192,937
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	153,672	38,587
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	38,741	992
Utilisation of tax losses	-	(17)
Dividends from UK companies	(190,000)	(34,747)
Total tax charge for the year	2,413	4,815

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax at 31 March 2018 has been calculated based on the rates substantively enacted at the date of the balance sheet.

9. Dividends

	2018 £	2017 £
Dividends paid	5,000	173,736
Distribution in specie	862,478	-
	867,478	173,736

During the year the entire shareholding of Sygnature Discovery Limited and Peak Proteins Limited was transferred to the parent company at the time by means of a distribution in specie.

Sygil Group Limited

**Notes to the financial statements
For the year ended 31 March 2018**

10. Fixed asset investments

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost or valuation			
At 1 April 2017	516,039	1,640,470	2,156,509
Additions	96,441	2,036,527	2,132,968
Disposals	(612,478)	(250,000)	(862,478)
At 31 March 2018	<u>2</u>	<u>3,426,997</u>	<u>3,426,999</u>
Net book value			
At 31 March 2018	<u>2</u>	<u>3,426,997</u>	<u>3,426,999</u>
At 31 March 2017	<u>516,039</u>	<u>1,640,470</u>	<u>2,156,509</u>

Sygil Group Limited

Notes to the financial statements For the year ended 31 March 2018

10. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Sygil Research (Cystic Fybrois) Limited	United Kingdom	Ordinary	100 %	Dormant
Sygil Research Limited	United Kingdom	Ordinary	100 %	Dormant

The registered address of these companies is the same as that on the company information page.

Participating interests

Associates

Name	Country of incorporation	Class of shares	Holding	Principal activity
Step Pharma SAS	France	Ordinary	24 %	Genetic research and development

The aggregate of the share capital and reserves as at 31 March 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves
	£
Sygil Research (Cystic Fybrois) Limited	1
Sygil Research Limited	1
	<u>2</u>

There was no profit or loss for any subsidiary as all were dormant for the period.

11. Debtors

	2018 £	2017 £
Other debtors	-	15,631
	<u>-</u>	<u>15,631</u>

12. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	1,164,106	4,041,539
	<u>1,164,106</u>	<u>4,041,539</u>

Sygil Group Limited

Notes to the financial statements For the year ended 31 March 2018

13. Creditors: Amounts falling due within one year

	2018 £	2017 £
Amounts owed to group undertakings	4,461	1,800,085
Corporation tax	2,413	4,815
Other creditors	4	3
	<u>6,878</u>	<u>1,804,903</u>

14. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
106,683 (2017 - 101,600) Ordinary shares of £0.001 each	<u>107</u>	<u>102</u>

On 31 July 2017 4,550 options were exercised by employees of Sygnature Discovery Limited at a weighted average exercise price of £30.79 (2017 - none), on the same day 533 Ordinary shares of £0.001 each were allotted for £0.001 each.

On the same day the 106,683 Ordinary shares were subdivided into 106,683 A ordinary shares of £0.0004, 106,683 B Ordinary shares of £0.0003 and 106,683 C Ordinary shares of £0.0003.

On 1 August 2017 the 106,683 A ordinary shares of £0.0004, 106,683 B Ordinary shares of £0.0003 and 106,683 C Ordinary shares of £0.0003 were consolidated into 106,683 A Ordinary shares of £0.001.

15. Reserves

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

Amount subscribed for share capital in excess of nominal value.

Share based payment reserve

The expense incurred in respect of the fair value of share options issued to employees but not exercised.

Profit & loss account

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Sygil Group Limited

Notes to the financial statements For the year ended 31 March 2018

16. Share based payments

The group operates Enterprise Management Incentive Scheme (EMI). The options are over Sygil Group Limited. The options vest based on vesting periods and may not be exercised after the expiry of the period of 3 years beginning at the original date of grant.

	Weighted average exercise price (pence) 2018	Number 2018	Weighted average exercise price (pence) 2017	Number 2017
Outstanding at the beginning of the year	30.79	4,550	31.11	4,900
Granted during the year		-		-
Forfeited during the year		-	35.27	(350)
Exercised during the year	30.79	(4,550)	-	-
Outstanding at the end of the year	-	-	30.79	4,550

There were no share options outstanding at the end of the year.

The exercise price of options outstanding at the end of the prior year ranged between £25.08 and £35.27 and their weighted average contractual life was 7.51 years.

Of the total number of options outstanding at the end of the prior year 2,000 had vested and 2,000 were exercisable at the end of that year.

There were 4,550 (2017 - no) options exercised during the year.

The share based remuneration expense comprises:

	2018 £	2017 £
Equity-settled schemes	96,441	96,441

Sygil Group Limited

Notes to the financial statements For the year ended 31 March 2018

17. Related party transactions

Evergreen Holdco 1, the parent company at the time (2017 - S C Hirst, a director of the company), received dividends of £867,478 (2017 - £139,365).

During the year Sygil Group Limited disposed of its subsidiary, Sygnature Discovery Limited. Prior to this date transactions with Sygnature Discovery Limited were exempt from disclosure under Section 33.1A of FRS102 as Sygnature Discovery Limited was the wholly owned subsidiary of Sygil Group Limited. Purchases of £846,621 (2017 - £Nil) were made from Sygnature Discovery Limited. There was no amount due to Sygnature Discovery Limited at the year end (2017 - £Nil).

During the year the company acquired a further 792,955 shares (2017 - 550,000 shares) in Step Pharma SAS for consideration of €1,695,001 (2017 - €1,100,000). The company ended the year with total shareholding in Step Pharma SAS of 20.98% (2017 - 26.12%).

During the year sales of £836,778 (2017 - £Nil) were made to Step Pharma SAS. The amount outstanding from Step Pharma SAS due to the group at the year end was £Nil (2017 - £Nil).

During the year the group disposed of its entire shareholding of Peak Proteins Limited of 50% (2017 - 25% addition) through the distribution in specie of 333,332 shares (2017 - 166,666 shares purchased) the cash consideration paid in the prior year was £125,000.

The directors received remuneration of £Nil from Sygil Group Limited during the year (2017 - £Nil)

18. Controlling party

Sygil Group Limited is controlled by Evergreen Holdco 2 Limited, a company incorporated in the United Kingdom. The registered office of Evergreen Holdco 2 Limited is the same as Sygil Group Limited, as given in the company information page.

Evergreen Holdco 2 Limited is controlled by S C Hirst who is the majority shareholder.