20 March 2017

Diurnal Group plc
("Diurnal" or the "Company")

Interim Results for the Six Months Ended 31 December 2016

On track to becoming a world leading specialty pharma company in endocrinology

Diurnal Group plc (AIM: DNL), the specialty pharmaceutical company targeting patient needs in chronic endocrine (hormonal) diseases, announces its results for the six months ended 31 December 2016.

Operational highlights

- Primary endpoint met in European Phase III Infacort® registration trial in paediatric adrenal insufficiency ("AI")
- Infacort® paediatric use marketing authorisation (PUMA) submitted to EMA
- Significant progress in the European Phase III trial of Chronocort® in congenital adrenal hyperplasia ("CAH"), with over 50% of patients enrolled
- First patients dosed in European follow-on study of the Phase III Infacort® registration trial in paediatric AI and the European follow-on study of the Phase III Chronocort® registration trial in adult CAH
- Development of the Company's European commercial organisation instigated through the appointment of Ashfield to support sales and medical infrastructure and Sharp to bring expertise to Infacort® supply chain
- Initiation of Named Patient Access Programme for Infacort® and Chronocort® with Clinigen, following the period end
- First patient dosed with novel oral testosterone therapy in study evaluating pharmacokinetics, safety and tolerability in male patients with hypogonadism
- Strengthened the Board with the appointment of Richard Bungay as Chief Financial Officer, following the period end

Financial overview

- Operating loss of £5.7m (H1 2015/16: £3.5m) reflecting increased investment in clinical and development activities, build out of commercial organisation and investment in overheads to support the anticipated growth and development of the business
- Held-to-maturity financial assets, cash and cash equivalents at 31 December 2016 of £25.6m (31 Dec 2015: £33.1m)
- Net cash used in operating activities was £4.5m (H1 2015/16: £2.0m), in line with the Board's expectations
- Net assets of £20.6m (31 Dec 2015: £28.6m)

Martin Whitaker, PhD, Chief Executive Officer of Diurnal, commented:

"During 2016, the Company continued to deliver on key milestones as we progressed towards our ambition of becoming a world leading specialty pharma company in endocrinology. The successful completion of the registration study for Infacort® in Europe was a key inflection point for the Company during the year. We have now begun to build out of our European commercial organisation that will allow us to market Infacort®, our first product, directly to specialist prescribers in major European markets following its anticipated market authorisation towards the end of 2017. We believe that this infrastructure will also make Diurnal an attractive licensing partner for third parties focused in the endocrinology space who do not have European commercial operations. In the US, we continued to progress Infacort® and Chronocort® and expect to commence pivotal clinical programmes in the second half of 2017."

In the Interim Results:

- "H1" refers to the six-month period ended 31 December
- "m" and "k" represent million and thousand respectively
- "Group" is the Company and its subsidiary undertaking, Diurnal Limited

Date of preparation 17th March 2017 Ref: CORP-EU-0005

For further information, please visit www.diurnal.co.uk **or contact:**

Diurnal Group plc Martin Whitaker, CEO Richard Bungay, CFO	**+44 (0)20 3727 1000**
Numis Securities Ltd (Nominated Adviser and Joint Broker) Nominated Adviser: Michael Meade, Freddie Barnfield, Paul Gillam Corporate Broking: James Black	**+44 (0)20 7260 1000**
Panmure Gordon (UK) Limited (Joint Broker) Corporate Finance: Freddy Crossley, Duncan Monteith Corporate Broking: Tom Salvesen	**+44 (0) 20 7886 2500**
FTI Consulting Simon Conway Victoria Foster Mitchell	**+44 (0)20 3727 1000**

Notes to Editors

About Diurnal
Founded in 2004, Diurnal is a UK-based specialty pharma company developing high quality products for the global market for the life-long treatment of chronic endocrine conditions, including the orphan diseases Congenital Adrenal Hyperplasia and Adrenal Insufficiency. Its expertise and innovative research activities focus on circadian-based endocrinology to yield novel product candidates in the rare and chronic endocrine disease arena.

For further information about Diurnal, please visit www.diurnal.co.uk

Forward looking statements
Certain information contained in this announcement, including any information as to the Group's strategy, plans or future financial or operating performance, constitutes "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "aims", "plans", "predicts", "may", "will", "seeks" "could" "targets" "assumes" "positioned" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things, the Group's results of operations, financial condition, prospects, growth, strategies and the industries in which the Group operates. The directors of the Company believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group's control. Forward-looking statements are not guarantees of future performance. Even if the Group's actual results of operations, financial condition and the development of the industries in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Operational Review

The six-month period to 31 December 2016 (the "Period") has seen the Company build on the momentum following its Initial Public Offering ("IPO") in December 2015, through the continued delivery of key milestones contributing towards its vision of becoming a world leading specialty pharma company in endocrinology. The funds raised at the IPO provide the Company with the financial strength to complete the development of Infacort® in Europe and the US; obtain market authorisation in Europe for Infacort® and generate first revenues; complete the development of Chronocort® in Europe and commence development in the US; and commence the construction of Diurnal's commercial capability in Europe. Diurnal believes that it has an opportunity to become one the few UK biotechnology companies to successfully take a product from concept to commercialisation.

Diurnal has continued to make significant clinical development progress with its late-stage pipeline products during the Period. Infacort® and Chronocort® are in late-stage clinical development targeting indications of cortisol deficiency: Infacort® has completed a Phase III clinical trial in Europe and has been submitted for marketing authorisation and Chronocort® is currently undergoing a Phase III clinical trial in Europe. Diurnal anticipates its first market authorisation in Europe for Infacort® towards the end of 2017, with the addressable market potential of its late-stage product candidates, including further indication extensions in cortisol deficiency, estimated by the Company to be a multi-billion Dollar opportunity.

Significant Progress towards Commercialisation in Europe
Diurnal's lead programme, Infacort®, is designed to solve the needs of paediatric patients with adrenal insufficiency ("AI") that result from deficiency of the essential hormone cortisol, which the Company believes are currently not met satisfactorily through existing treatments. Diurnal expects that, if approved, Infacort® will be the first product specifically designed and licensed for children under six years of age suffering from the rare diseases congenital adrenal hyperplasia ("CAH") and AI. Infacort® aims to address the need for a product that is licensed, effective, safe and easy to administer to infants, neonates and children under six years of age. Diurnal submitted a paediatric use marketing authorisation ("PUMA") application during the Period and currently anticipates marketing authorisation approval for Infacort® in Europe towards the end of 2017. A follow-on study, initiated during the Period, will provide further valuable safety data to support the registration and commercialisation of Infacort®.

Diurnal intends to commercialise Infacort® itself in Europe in order to retain the full value of the product, reflecting a small, focused prescribing base, and has made significant progress during the Period in establishing its European commercial operations. Diurnal's small, focused, in-house commercial team has been supplemented through a service agreement with Ashfield Healthcare ("Ashfield") to support the Company in building sales and medical infrastructure in major European territories. Ashfield is a respected global contract sales organisation that will focus in the next 12 months on establishing a Europe wide network of medical liaison staff to prepare the Company for the anticipated launch of Infacort® in 2018 under the direction of the Company's commercial leadership. Diurnal has also signed an agreement with Sharp Packaging Services ("Sharp"), a global leader in contract packaging for the pharmaceutical and biotechnology industries, to ensure the Infacort® supply chain is managed by an internationally recognised expert business.

The Company believes that its European commercial organisation will be a valuable asset that can not only ensure it retains the full value of its in-house products in major European territories, but also makes Diurnal an attractive partner for companies seeking to commercialise endocrinology focused products in Europe. Diurnal continues to assess such business development opportunities where they are additive to its business model.

Continued Progress in Product Pipeline
Diurnal now expects its second product candidate, Chronocort®, to achieve market authorisation in Europe in 2019 (previously 2018). Chronocort® provides a drug release profile that the Company believes mimics the body's natural cortisol circadian rhythm, which current therapy is unable to replicate, and is designed to improve disease control for adults with CAH. Recruitment in this study has been slower than originally anticipated, due to the intensive nature of the clinical trial setting; however, by the end of the Period, over 50% of patients had been recruited and the Company expects to complete recruitment in the second half of 2017 following the addition of further sites to increase recruitment. A follow-on study, initiated during the Period, is intended to provide further valuable safety data to support the registration and commercialisation of Chronocort®.

The Company continues to progress discussions with the US Food and Drug Administration ("FDA") regarding the requirements for the registration programme for Infacort® and Chronocort® in the US. Clinical study design requirements for CAH differs between the US and Europe, meaning that a separate clinical programme will be

required for registration of these two products in the US. Diurnal expects to conclude regulatory discussions such that the registration study package for both products can commence during the second half of 2017.

Diurnal believes that its strategy of developing novel products using well-characterised active ingredients to meet significant unmet medical needs offers a lower risk than development of new chemical or biological entities whilst enabling significant in-market protection through both patent filings and regulatory protection. For example, the active ingredient of both Infacort® and Chronocort®, hydrocortisone, is extremely well-tolerated, with an extensive safety database through over 50 years of clinical use. Diurnal's product candidates are protected by an extensive patent portfolio, benefitting from a number of granted or pending patents in key jurisdictions, along with strong protection through orphan drug designations. The FDA has granted Chronocort® orphan drug designation in the treatment of both CAH and AI and has granted Infacort® orphan drug designation in the treatment of paediatric AI. Diurnal has applied for a PUMA for Infacort® in Europe, whilst Chronocort® already benefits from the orphan drug designations for CAH and AI in Europe. These orphan drug designations mean Infacort® and Chronocort® have the potential to be granted market and data exclusivity on approval.

Diurnal plans to use its cortisol replacement offering to build a strong platform in underserved diseases of the adrenal gland and then expand into endocrine disease areas such as those associated with the thyroid, gonads and pituitary. Continued product development is expected to come from Chronocort® line extensions aiming to address additional cortisol deficiency indication(s) and from the Company's earlier-stage pipeline of endocrinology product candidates. These earlier-stage candidates currently include a native oral testosterone for the treatment of male hypogonadism, which entered a Phase I clinical study designed to evaluate pharmacokinetics, safety and tolerability in male patients with hypogonadism during the Period.

Board Strengthened
Shortly after the end of the Period, Diurnal strengthened its Board with the appointment of Richard Bungay as Chief Financial Officer ("CFO"). Richard has over 20 years' experience in corporate roles within Research and Development ("R&D") based companies within the biotechnology and pharmaceutical sector, including as CFO of both public and private companies, with a particular focus on financing, investor relations and business development and is well placed to support the Company's ambitious growth plans.

Outlook

Infacort® is currently undergoing regulatory review in Europe following submission of a PUMA and if approved has the potential to be the first licensed treatment in Europe for AI (including CAH) specifically designed for use in children under six years of age. Diurnal anticipates market authorisation in late 2017. Subject to completing discussions with FDA, the Company will be commencing the US registration programme in the second half of 2017. Previous FDA advice recommended two clinical studies, one is a food matrix compatibility study in adult volunteers and the other is a study in the target paediatric population (0 – 16 years of age).

Chronocort® commenced a Phase III clinical trial in Europe during February 2016 and over 50% of patients had been recruited by the end of the Period. Chronocort® has the potential to be the first product candidate for adults with CAH to mimic the natural cortisol circadian rhythm, therefore improving disease control. The Company expects to report headline data from this trial during 2018. Diurnal continues to be in dialogue with the FDA on the Phase III US clinical trial design and expect to have an update later in the year, with the intention to commence registration study activities around the end of the calendar year.

Following the end of the Period, the Company announced a partnership with Clinigen Group plc's IDIS Managed Access ("IDIS") division to launch a Patient Access programme in Europe for Infacort® and Chronocort® to ensure that patients with cortisol deficiency but no other treatment options can access these medicines as efficiently as possible ahead of anticipated European approval and commercial launch.

Diurnal is developing a native oral testosterone replacement treatment for patients suffering from hypogonadism. The Company has successfully completed *in vivo* pre-clinical studies of its novel formulation and initiated a proof-of-concept study in human hypogonadal patients during the Period. Diurnal now expect to report headline data from this trial in early 2018 (previously mid-2017).

Diurnal aims to become a world leading endocrinology specialty pharmaceutical company targeting under-served patient needs in chronic hormonal diseases. Diurnal has identified a number of such needs within the field of endocrinology, which, combined, the Company believes represent a multi-billion Dollar market opportunity. The Company intends to address these market opportunities through the development of its late-stage pipeline, through development of its early-stage pipeline and, longer-term, through in-licensing and acquisitions.

Diurnal's products are expected to be prescribed by endocrinologists predominantly located in specialist centres. Diurnal believes that the concentrated nature of these centres provides a significant opportunity to build a cost-effective, focused sales and marketing operation in Europe, which should enable the Company to capture value from its products and create a base for growth through pipeline development and in-licensing. The environment for commercialisation of healthcare products in the US remains challenging, in particular ensuring that market access is optimised for a successful product launch. Accordingly, Diurnal is likely to capitalise on the interest in its programmes and seek a US partner for commercialisation of its initial pipeline products at an appropriate time. Diurnal will also seek local distribution arrangements for territories outside the US and Europe where there is a significant market for the Company's products. Following the end of the Period, Diurnal announced a distribution agreement with Medison Pharma Limited ("Medison") for Israel. Medison is a leader in the marketing of specialist-focused products in Israel and will help Diurnal optimise the value of its products outside of its core markets. Diurnal will assess opportunities for similar agreements, addressing selected high-value markets.

Financial Review

Operating expenses
Operating expenses are in a growth phase, reflecting the increased clinical and development activities together with investment in headcount and business infrastructure to support the transition of the business to a fully-integrated speciality pharma organisation with product origination, development and commercialisation capabilities. This continued investment in the business will support its anticipated growth and development in the coming periods.

Research and development expenditure for the Period was £4.0m (H1 2015/16: £1.8m). Expenditure on product development and clinical costs increased in the Period as the Group submitted the Infacort® PUMA application to the European Medicines Agency ("EMA") and continued to progress Chronocort® in a Phase III registration trial in Europe. The Group also recruited the first patients from the Chronocort® Phase III trial into a long-term follow-on study and commenced a Phase I study with its native oral testosterone product in hypogonadal patients. Staff-related expenditure also increased as a result of the appointment of new staff and the full impact of the implementation of a new remuneration policy in H2 2015.

Administrative expenses for the Period were £1.7m (H1 2015/16: £1.7m). Underlying costs in the Period increased by £0.6m, reflecting a substantial increase in pre-commercialisation expenses, as the Group prepares for the anticipated launch of Infacort® in 2018, along with the appointment of new staff and the full impact of the implementation of a new remuneration policy in the prior period. This increase was compensated by costs of £0.6m in the prior period relating to fees paid in connection with the Alternative Investment Market ("AIM") admission.

Operating loss
Operating loss for the period increased to £5.7m (H1 2015/16: £3.5m), reflecting the increased operating expenses outlined above.

Financial income and expense
Financial income in the period was £102k (H1 2015/16: £8k): the funds received from the IPO fundraising and the convertible loan arrived in late December 2015 and consequently had minimal impact on financial income for the prior period. Financial expense for the period was £134k (H1 2015/16: £6k), being mainly the financial expense of the convertible loan. No interest is payable in cash on this loan, the financial expense charged to the income statement representing the effective interest to accrue the loan to the redemption value at the loan's maturity date over the term of the loan. The convertible loan had minimal impact on financial expense in the prior period due to the timing of the receipt of the funds.

Loss on ordinary activities before tax
Loss before tax for the period was £5.7m (H1 2015/16: £3.5m).

Tax
The Group has not recognised any deferred tax assets in respect of trading losses arising in the current financial period. At present, the Group recognises tax assets in respect of claims under the UK research and development Small or Medium-sized Enterprise ("SME") scheme upon receipt of the claim.

Earnings per share
Loss per share was 10.9 pence (H1 2015/16: 10.0 pence).

Cash flow
Net cash used in operating activities was £4.5m (H1 2015/16: £2.0m), driven by the planned increase in investment in R&D and business infrastructure during the Period. Net cash generated by financing during the prior period of £29.1m reflects the net proceeds of the issue of shares in the IPO and funds received from issue of the convertible loan.

Balance sheet
Total assets decreased to £26.4m (31 Dec 2015: £33.5m), primarily reflecting the operating cash outflows. Held-to-maturity financial assets at 31 December 2016 were £14.0m (31 Dec 2015: £nil) and cash and cash equivalents were £11.6m (31 Dec 2015: £33.1m). Total liabilities increased to £5.8m (31 Dec 2014: £4.9m), reflecting the £3.4m liability component of the convertible loan (31 Dec 2015: £3.1m), together with trade and other payables of £2.5m (31 Dec 2015: £1.8m), which increased due to timing of payment of certain clinical trial and manufacturing expenses. Net assets were £20.6m (31 Dec 2015: £28.6m).

Principal risks and uncertainties
Diurnal considers strategic, operational and financial risks and identifies actions to mitigate these risks. The principal risks and uncertainties are set out in the Group's Annual Report and Accounts for the year ended 30 June 2016, available on the website www.diurnal.co.uk. There are no changes to these principal risks since the issue of the Annual Report and Accounts, with the exception of those in relation to the foreign currency risk, noted below.

Following the vote in the UK to leave the European Union on 23 June 2016 ("Brexit"), Sterling has weakened significantly against both the US Dollar and Euro, and is expected to remain volatile whilst the UK negotiates the terms of its exit from the European Union. The Group does not currently have material exposure to either US Dollars or Euros. The Group continually reviews its exposure to foreign currencies, and will put in place appropriate hedging arrangements in order to provide greater certainty of future cash flows in the event that its foreign currency exposure becomes material.

Consolidated income statement
for the six months ended 31 December 2016

	Note	Unaudited 6 months ended 31 Dec 2016 £000	Unaudited 6 months ended 31 Dec 2015 £000	Audited 12 months ended 30 Jun 2016 £000
Research and development expenditure		(3,955)	(1,822)	(3,886)
Administrative expenses		(1,709)	(1,705)	(3,106)
Operating loss		(5,664)	(3,527)	(6,992)
Financial income		102	8	63
Financial expense		(134)	(6)	(133)
Loss before tax		(5,696)	(3,525)	(7,062)
Taxation	6	-	-	491
Loss for the period		(5,696)	(3,525)	(6,571)
Basic and diluted loss per share (pence per share)	5	(10.9)	(10.0)	(15.0)

All activities relate to continuing operations.

The Notes form part of this condensed financial information.

Consolidated statement of comprehensive income
for the six months ended 31 December 2016

	Unaudited 6 months ended 31 Dec 2016 £000	Unaudited 6 months ended 31 Dec 2015 £000	Audited 12 months ended 30 Jun 2016 £000
Loss for the period	(5,696)	(3,525)	(6,571)

The Notes form part of this condensed financial information.

Consolidated balance sheet
as at 31 December 2016

	Note	Unaudited As at 31 Dec 2016 £000	Unaudited As at 31 Dec 2015 £000	Audited As at 30 Jun 2016 £000
Non-current assets				
Intangible assets		5	8	6
Property, plant and equipment		2	4	3
		7	12	9
Current assets				
Trade and other receivables		753	387	530
Held-to-maturity financial assets		14,000	-	14,000
Cash and cash equivalents		11,626	33,138	16,114
		26,379	33,525	30,644
Total assets		26,386	33,537	30,653
Current liabilities				
Trade and other payables		(2,451)	(1,784)	(1,480)
		(2,451)	(1,784)	(1,480)
Non-current liabilities				
Loans and borrowings	7	(3,373)	(3,111)	(3,239)
		(3,373)	(3,111)	(3,239)
Total liabilities		(5,824)	(4,895)	(4,719)
Net assets		20,562	28,642	25,934
Equity				
Share capital		2,610	2,610	2,610
Share premium		23,632	23,632	23,632
Consolidation reserve		(2,943)	(2,943)	(2,943)
Other reserve		1,458	1,458	1,458
Retained (losses) / earnings		(4,195)	3,885	1,177
Total equity		20,562	28,642	25,934

The Notes form part of this condensed financial information.

Consolidated statement of changes in equity
for the six months ended 31 December 2016

	Unaudited Share Capital £000	Unaudited Share Premium £000	Unaudited Consolidation Reserve £000	Unaudited Other Reserve £000	Unaudited Retained (losses) / Earnings £000	Unaudited Total £000
Balance at 30 June 2015	**15,351**	**-**	**(2,943)**	**-**	**(6,367)**	**6,041**
Loss for the period and Total comprehensive loss for the period	-	-	-	-	(3,525)	(3,525)
Equity settled share based payment transactions	-	-	-	-	152	152
Reduction of Capital	(12,107)	-	-	-	12,107	-
Issue of shares for cash	884	24,465	-	-	-	25,349
Costs charged against share premium	-	(833)	-	-	-	(833)
Equity component of convertible loan	-	-	-	1,486	-	1,486
Issue expenses of convertible loan	-	-	-	(28)	-	(28)
Repurchase of deferred shares	(1,518)	-	-	-	1,518	-
Total transactions with owners recorded directly in equity	(12,741)	23,632	-	1,458	13,777	26,126
Balance at 31 December 2015	**2,610**	**23,632**	**(2,943)**	**1,458**	**3,885**	**28,642**
Loss for the period and Total comprehensive loss for the period	-	-	-	-	(3,046)	(3,046)
Equity settled share based payment transactions	-	-	-	-	338	338
Total transactions with owners recorded directly in equity	-	-	-	-	338	338
Balance at 30 June 2016	**2,610**	**23,632**	**(2,943)**	**1,458**	**1,177**	**25,934**
Loss for the period and Total comprehensive loss for the period	-	-	-	-	(5,696)	(5,696)
Equity settled share based payment transactions	-	-	-	-	324	324
Total transactions with owners recorded directly in equity	-	-	-	-	324	324
Balance at 31 December 2016	**2,610**	**23,632**	**(2,943)**	**1,458**	**(4,195)**	**20,562**

Loss for the period is the only constituent of Total comprehensive loss for each period so the period amounts are shown in the same line in the consolidated statement of changes in equity.

Consolidated statement of cash flows
for the six months ended 31 December 2016

	Unaudited 6 months ended 31 Dec 2016 £000	Unaudited 6 months ended 31 Dec 2015 £000	Audited 12 months ended 30 Jun 2016 £000
Cash flows from operating activities			
Loss for the period	(5,696)	(3,525)	(6,571)
Adjustments for:			
Depreciation, amortisation and impairment	2	3	6
Share-based payment	324	152	490
Financial income	(102)	(8)	(63)
Finance expenses	134	6	133
Taxation	-	-	(491)
Increase in trade and other receivables	(151)	(11)	(135)
Increase in trade and other payables	970	1,385	1,081
Cash flow from operating activities	(4,519)	(1,998)	(5,550)
Interest paid	-	(1)	-
Tax received	-	-	491
Net cash used in operating activities	(4,519)	(1,999)	(5,059)
Cash flows from investing activities			
Additions of property, plant and equipment	-	-	-
Purchases of Held-to-maturity financial assets	-	-	(14,000)
Interest received	31	8	44
Net cash from / (used in) investing activities	31	8	(13,956)
Cash flows from financing activities			
Net proceeds from issue of share capital	-	24,516	24,516
Repayment of borrowings	-	(24)	(24)
Net proceeds from issue of borrowings	-	4,564	4,564
Net cash generated by financing activities	-	29,056	29,056
Net (decrease)/increase in cash and cash equivalents	(4,488)	27,065	10,041
Cash and cash equivalents at the start of the period	16,114	6,073	6,073
Cash and cash equivalents at the end of the period	11,626	33,138	16,114

Notes to the consolidated financial statements

1 General information

Diurnal Group plc ('the Company') and its subsidiary (together 'the Group') are a clinical stage specialty pharmaceutical business targeting patient needs in chronic endocrine (hormonal) diseases which the Group believes are currently not met satisfactorily by existing treatments. It has identified a number of specialist endocrinology market opportunities in Europe and the US that are together estimated to be multi-billlion Dollar opportunities.

The Company is a public limited company incorporated and domiciled in the UK. Its registered number is 09846650. The address of its registered office is Cardiff Medicentre, Heath Park, Cardiff, CF14 4UJ and its primary and sole listing is on the Alternative Investments Market (AIM) of the London Stock Exchange.

2 Basis of preparation

As permitted these unaudited consolidated interim financial statements have been prepared and approved by the Directors in accordance with UK AIM rules and the IAS 34 'Interim financial reporting' as adopted by the European Union. They should be read in conjunction with audited consolidated financial statements for the year ended 30 June 2016, which were prepared in accordance with IFRS as adopted by the European Union.

The financial information contained in these interim financial statements has been prepared under the historical cost convention, and on a going concern basis. The interim financial information for the six months ended 31 December 2016 and for the six months ended 31 December 2015 contained within this interim report do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The figures for the year ended 30 June 2016 have been extracted from the audited statutory accounts which were approved by the Board of Directors on 11 October 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain statements under 498 (2) or (3) of the Companies Act 2006 and did not contain any emphasis of matter.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial information for the six months ended 31 December 2016.

3 Accounting policies

These consolidated interim financial statements for the six months ended 31 December 2016 include the results of Diurnal Group plc and its wholly-owned subsidiary, Diurnal Limited. The unaudited results for the period have been prepared on the basis of accounting policies adopted in the audited accounts for the year ended 30 June 2016 and expected to be adopted in the financial year ending 30 June 2017.

Where new IFRS standards amendments or interpretations became effective in the six months to the 31 December 2016, there has been no material impact on the net assets or results of the Group.

4 Segmental information

The Board regularly reviews the Company's performance and balance sheet position for its operations and receives financial information for the Group as a whole. As a consequence, the Group has one reportable segment, which is Clinical Development. Segmental profit is measured at operating loss level, as shown on the face of the Consolidated Income Statement. As there is only one reportable segment whose losses, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the financial statements, no additional numerical disclosures are necessary.

5 Loss per share

	Unaudited 6 months ended 31 Dec 2016	Unaudited 6 months ended 31 Dec 2015	Audited 12 months ended 30 Jun 2016
Loss for the period (£000)	(5,696)	(3,525)	(6,571)
Weighted average number of shares (000)	52,211	35,373	43,746
Basic and diluted loss per share (pence per share)	(10.9)	(10.0)	(15.0)

The diluted loss per share is identical to the basic loss per share in all periods, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share.

6 Taxation

	Unaudited 6 months ended 31 Dec 2016 £000	Unaudited 6 months ended 31 Dec 2015 £000	Audited 12 months ended 30 Jun 2016 £000
Current tax			
- current year	-	-	(491)
- adjustments for prior periods	-	-	-
Tax credit charge for the period	-	-	(491)

The tax credit assessed for the period ended 30 June 2016 relates entirely to R&D tax credit relief.

7 Loans and borrowings

	Unaudited As at 31 Dec 2016 £000	Unaudited As at 31 Dec 2015 £000	Audited As at 30 Jun 2016 £000
Non-current loans and borrowings			
Convertible loans	3,373	3,111	3,239
Other non-current loans	-	-	-
	3,373	3,111	3,239
Total loans and borrowings	3,373	3,111	3,239

IP Group convertible loan

On 24 December 2015 the Company received £4.7m from IP2IPO Limited, a subsidiary of IP Group plc under a convertible loan agreement. The loan is interest-free and unsecured with a maturity date of 24 December 2020 (or such other date as the parties agree) at which point the Company may either repay the principal amount outstanding in full or convert such amount into non-voting shares at a lower nominal value to that of the Ordinary Shares to ensure that IP Group plc did not have control of the Company. IP Group plc may convert the principal outstanding in whole or in parts exceeding £0.1m into ordinary shares calculated at the IPO share price of £1.44 per share conditional on it not having control of the Company resulting from the conversion.

The convertible loan note is a compound financial instrument containing a host financial liability and an equity component as there is a contractual obligation to deliver a fixed number of shares at the IPO price if the loan note is converted.

At 31 December 2016, the amount outstanding comprised:

	Unaudited As at 31 Dec 2016 £000	Unaudited As at 31 Dec 2015 £000	Audited As at 30 Jun 2016 £000
Face value of convertible loan issued on 24 December 2015	4,651	4,651	4,651
Equity component	(1,486)	(1,486)	(1,486)
Issue costs relating to the liability element	(59)	(59)	(59)
Liability component on initial recognition	3,106	3,106	3,106
Accrued interest	267	5	133
Liability component at 31 December 2016	3,373	3,111	3,239
Less amount included in current liabilities	-	-	-
Included in non-current liabilities	3,373	3,111	3,239