12 March 2018

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

Interim Results for the Six Months Ended 31 December 2017

European marketing authorisation for first product received post period end

Transformational year ahead with first country launch planned for Q2 2018

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 2017 (the "Period").

Operational highlights (during the period and post Period end)

- Grant of a paediatric use marketing authorisation by the European Commission for Alkindi®[1] (hydrocortisone granules in capsules for opening) as replacement therapy of paediatric adrenal insufficiency
  - Followed CHMP positive opinion in December 2017
  - First country launch planned for Q2 2018
- Alkindi® Investigational New Drug application successfully opened with the US FDA
  - Alkindi® food matrix compatibility study, designed as part of package to support US regulatory submission, met primary endpoint with high statistical significance
- Completion of patient recruitment for the European Phase III trial of Chronocort® (modified release hydrocortisone) in congenital adrenal hyperplasia
- Appointment of global CRO for Chronocort® US development programme to commence during 2018 (see separate announcement today)
  - Followed written feedback received from FDA on Phase III pivotal trial design
- Grant of first US patent for Chronocort® and grant of first Japanese patents for Alkindi® and Chronocort®
- Continued development of the Company's European commercial organisation and supply chain
  - Includes establishment of wholly-owned subsidiary Diurnal Europe B.V. in The Netherlands to mitigate Brexit risk
- Marketing and distribution agreement with Emerge Health for Alkindi® and Chronocort® in Australia and New Zealand executed

Financial overview

- Operating loss of £7.7m (H1 2016/17: £5.7m) reflecting increased investment in clinical and development activities and build-out of commercial organisation
- Held-to-maturity financial assets, cash and cash equivalents at 31 December 2017 of £14.0m (31 December 2016: £25.6m); 30 June 2017 of £19.9m
- Net cash used in operating activities was £5.9m (H1 2016/17: £4.5m), in line with the Board's expectations
- Net assets of £10.8m (31 December 2016: £20.6m); 30 June 2017 of £10.1m

Martin Whitaker, PhD, Chief Executive Officer of Diurnal, commented:
"Since our last results announcement, the Company has made significant steps towards becoming a revenue-generating specialty pharma company focused on endocrinology. The approval of our first product, Alkindi®, in Europe in early 2018 highlights the Company's ability to take a product from concept through to commercialisation, with market launch planned in Q2 2018. We are also pleased to complete patient recruitment in the European Chronocort® Phase III study, with data expected later in 2018. Our experience in the development, registration and preparation for launch of Alkindi® will be invaluable in the progression of Chronocort® towards potential approval and launch in 2020. This positive momentum is also reflected in our US programmes; we have made significant progress with the development of Alkindi® and Chronocort® for this important market, with activities to support the planned Alkindi® Phase III regulatory package ongoing and Chronocort® Phase III development expected to commence later in 2018."

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 undertakings, Diurnal Limited and Diurnal Europe BV

Reference:

[1] https://www.medicines.org.uk/emc/search?q=alkindi

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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 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

Diurnal's near-term focus remains on the development of its pipeline of products for the treatment of diseases of cortisol deficiency in Europe and the US, initially focusing on the treatment of the rare genetic condition congenital adrenal hyperplasia (CAH), a market opportunity of approximately $0.5 billion, and expanding into the treatment of adrenal insufficiency (AI), a market opportunity of approximately $2.7 billion. Longer-term, Diurnal's earlier stage pipeline potentially addresses endocrinological disorders with a combined market size of around $10 billion.

During the six-month period to 31 December 2017 (the "Period"), Diurnal delivered a key milestone set out at the time of the Company's Initial Public Offering (IPO) in December 2015, namely the recommendation for approval for Alkindi® (development name: Infacort®; hydrocortisone granules in capsules for opening) by the Committee for Medicinal Products for Human Use (CHMP). This recommendation was subsequently endorsed by the European Commission (EC) shortly after the end of the Period through the grant of a paediatric use marketing authorisation (PUMA) for Alkindi® as replacement therapy of AI in infants, children and adolescents (from birth to <18 years old) within the European Union (EU). This significant achievement places Diurnal as one of a small number of UK biotechnology companies that have successfully taken a product from initial concept through to regulatory approval. Diurnal expects to generate its first commercial revenues during 2018 as the Company commences the pan-European marketing of Alkindi® to specialist prescribing centres.

The Company has also delivered on further key milestones during the Period, contributing towards its vision of becoming a world-leading specialty pharma company in endocrinology. These milestones include the implementation of the infrastructure required to support the commercial launch of Alkindi® in Europe, and completion of recruitment for its second product, Chronocort®, in its European Phase III study. In addition to Europe, Diurnal has made significant progress in its plans to develop Alkindi® and Chronocort® for the valuable US market, and in maximising the value of these products outside of the US and European markets. Diurnal believes that the addressable market potential of its late-stage products in cortisol deficiency represents a substantial commercial opportunity.

Creating a strong European commercialisation capability
Given the specialist prescribing base, and to retain the full commercial value of the product, Diurnal intends to commercialise Alkindi® itself in the major European markets, focusing its marketing efforts initially on patients aged 0-6 years where the unmet need is highest. Alkindi® is designed to address the needs of paediatric patients with AI that result from deficiency of the essential hormone cortisol, which the Company believes are currently not met satisfactorily through existing treatments. Alkindi® is the first product specifically designed for children aged 0-6 years suffering from AI, and the related condition CAH, and aims to address the need for a product that is licensed, effective, safe and easy to administer.

During the Period, Diurnal continued the establishment of the commercial organisation and supply chain required to support a successful launch for Alkindi®. The Company now has medical scientific liaison (MSL) staff in place in the UK, Germany, Italy, Spain and France and key account managers (KAMs) in the UK, Germany, Italy and Spain, under its agreement with Ashfield Healthcare. A key commercial activity, initiated during the Period, is building the health economic arguments required to support pricing submissions for Alkindi® across Europe. Although product approval is centralised in the EU, pricing negotiations are conducted on a country-by-country basis. As is customary for the launch of new pharmaceutical products, there will be a staged roll-out of Alkindi® based on the timetable for agreeing pricing with the relevant authorities in each country. The first Alkindi® launch is scheduled for Germany during Q2 2018, with further launches in the UK and the Netherlands scheduled for Q4 2018. As part of the commercial launch in Germany, Diurnal is working to ensure that patients currently participating in the Alkindi® long-term follow up study can continue treatment with the commercial product. Diurnal estimates that the market size for the entire European market (patients from birth to <18 years) is $60 million, with the Company initially targeting significant penetration into the 0-6 years segment, where there is clinical data to support the benefits of Alkindi®.

Diurnal has continued to develop a robust product supply chain during the Period. To mitigate the uncertainty around customs and duty arrangements following the UK's departure from the EU in March 2019, the Company's supply chain has been located entirely within the EU, with primary manufacture of Alkindi® capsules performed by Glatt Pharmaceutical Services in Germany, secondary packaging currently performed by Sharp Packaging Services in Belgium and the Netherlands, and distribution in the Netherlands. In addition, Diurnal set up a wholly-owned subsidiary during the Period, Diurnal Europe B.V., which will hold the Alkindi® EU marketing authorisation following Brexit.

The Company intends to use the same commercial organisation and supply chain for the planned future launch of Chronocort® in Europe. In addition, the pricing work undertaken for Alkindi® has provided insights into the

cortisol deficiency market that will be extremely valuable when developing health economic arguments for Chronocort®. In these regards, Diurnal believes that the launch of Alkindi® substantially de-risks the planned launch of Chronocort®.

The Company believes that its European commercial infrastructure is a valuable asset that can ensure it not only retains the full commercial 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.

Building value in late-stage cortisol deficiency pipeline
The Company has made good progress during the Period with the development of its late-stage pipeline. For Alkindi®, following discussion with the US Food and Drug Administration (FDA), the Company has assembled a package of studies alongside the existing European Phase III study data that it believes will support a regulatory submission for approval in paediatric AI in the US. During the Period, the Company successfully completed a food matrix compatibility study, which confirmed that the pharmacokinetics of Alkindi®, when sprinkled onto soft food or yoghurt, are equivalent to Alkindi® administered by direct administration to the back of the mouth. There were no adverse events in the study and Alkindi® was well tolerated. The Company opened an Investigational New Drug (IND) application for Alkindi® during the Period and, following advice from the FDA, will be in a position to start the next study in the registration programme, a bioequivalence study in healthy adult volunteers, during H1 2018. The Company does not believe that further clinical studies will be required for US registration of Alkindi® and intends to submit its regulatory package to the FDA in 2018.

Diurnal's second product candidate, 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. Shortly after the end of the Period, the Company reported that patient recruitment had been completed for the European pivotal Phase III clinical trial of Chronocort® for the treatment of CAH in adults, with a total of 122 patients enrolled across 11 clinical sites (including one US site). Patients in this study are to be randomised to treatment either with Chronocort® or their current standard-of care over a six-month period, with a final follow-up visit 30 days after completion. Consequently, the Company expects to report headline data from this study in H2 2018.

Patients completing treatment in this European Phase III study have the option to enrol into a long-term follow-up study, assessing the impact of treatment with Chronocort® over an extended period, regardless of whether the patients were initially treated with Chronocort® or standard-of-care. A significant proportion of patients eligible to enter the follow-on study have done so, and no patients have dropped out of the study to date. This study not only provides additional data on the safety of treatment with Chronocort® over an extended period, but is also able to provide data on long-term clinical outcomes for patients, including markers of bone turnover, body composition, insulin levels and quality of life. This data will be an important part of the planned regulatory submissions in both Europe and the US, and will provide valuable data for the Company's health economic assessments, which will support the proposed pricing for Chronocort®.

Following discussion with the FDA, Diurnal has now designed a Phase III registration package for Chronocort® in the US and intends to commence this programme around the middle of 2018. The programme will recruit up to 150 patients with CAH, who will be randomised to either receive Chronocort® twice-daily or immediate-release hydrocortisone thrice-daily. Patients in the study will be treated for 12 months, with the primary endpoint of the study being the proportion of patients achieving biochemical control with Chronocort® or standard of care. The study will also assess the impact of treatment on a number of important clinical outcomes. As with the European programme, all patients completing treatment in the US study will be offered the opportunity to participate in long-term follow-up treatment with Chronocort®, regardless of which arm of the Phase III study they were randomised to. This study will provide further long-term safety and clinical outcome data to support the use of Chronocort® in this patient group.

During the Period, Diurnal also formulated plans to assess the utility of Chronocort® in the AI market, which represents a sizeable commercial opportunity. The Company plans to commence a Phase II study in AI US centres around the end of 2018.

To support the US development of Chronocort® in both CAH and AI, Diurnal today announces the appointment of the contract research organisation (CRO), Worldwide Clinical Trials (Worldwide), chosen as its preferred partner for the conduct of its US clinical trial package and future pipeline studies. Worldwide has extensive experience in planning and recruiting studies in rare and orphan diseases and will conduct the Phase III CAH study and follow-on, and the Phase II AI study on a full-service basis.

In the longer term, Diurnal intends to explore the development of Chronocort® for adolescent CAH patients, providing the potential for life-long treatment, with patients starting with Alkindi® and transitioning to Chronocort®. Reflecting these plans, the Company has continued the development of a lower dose strength (2mg) of Chronocort® during the Period, to provide further flexibility of dosing compared to the current dose strengths (5mg, 10mg and 20mg).

Diurnal's pipeline of product candidates for cortisol deficiency are protected by an extensive patent portfolio, benefitting from several 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 Alkindi® orphan drug designation in the treatment of paediatric AI. In Europe, the PUMA for Alkindi® affords ten years of market exclusivity, whilst Chronocort® benefits from the orphan drug designations for CAH and AI. These orphan drug designations mean Alkindi® and Chronocort® have the potential to be granted market and data exclusivity on approval.

Diurnal's current strategy is to capitalise on the interest in its programmes and seek a US partner for commercialisation of its late-stage pipeline products at an appropriate time to ensure that market access is optimised for a successful product launch.

Maximising pipeline potential outside of core markets
Outside of its core territories in Europe and the US, the Company will seek to maximise revenues from Alkindi® and Chronocort® by entering into local distribution agreements with experienced partners. Typically, the Company will seek to access territories where there is the potential for a price which reflects the innovation for its products and which can use the European regulatory dossier as the basis for local regulatory submissions. Shortly after the end of the Period, the Company entered into a marketing and distribution agreement with Emerge Health (Emerge), a leading, specialised Australian pharmaceutical company focused on the marketing and sales of niche, high quality medicines to the hospital sector. The agreement covers the commercialisation of Alkindi® and Chronocort® in Australia and New Zealand. This agreement marks an important commercialisation step as Diurnal seeks to further expand the reach of its lead products in diseases of cortisol deficiency, following the entry into a similar agreement with Medison during 2017 for the marketing of Alkindi® and Chronocort® in Israel (including the Palestinian Authority). Both Medison and Emerge intend to submit Alkindi® for approval to their regulatory authorities during the next 12 months.

Following the grant of the Company's first patents for Alkindi® and Chronocort® in Japan shortly after the end of the Period, Diurnal is assessing its strategy for entry into this important market. Japan is an attractive market for Diurnal's late-stage cortisol deficiency pipeline, with a well-developed pharmaceutical market including orphan drug designation, and a large population, with the market for CAH and AI estimated at $415 million.

Building an earlier-stage pipeline
Whilst Diurnal's current primary focus is on bringing its late-stage cortisol deficiency pipeline to the market in Europe and the US and to maximise the potential for expansion into different disorders, the Company's longer-term plan is to expand into endocrine disease areas, such as those associated with the thyroid, gonads and pituitary. Earlier-stage candidates currently include a native oral testosterone for the treatment of male hypogonadism, which is currently being assessed in a Phase I/II clinical study designed to evaluate pharmacokinetics, safety and tolerability in male patients with hypogonadism. This study is expected to complete during 2018. The Company also has earlier-stage development activities assessing a modified-release T3 replacement therapy for hypothyroidism and an siRNA therapy for Cushing's disease, a condition characterised by an excess of cortisol. In addition, Diurnal regularly assesses third party products for chronic endocrine disorders that fit within its strategic vision.

Outlook

Diurnal believes that it has a transformational period ahead. With the first commercial launch of Alkindi® scheduled for Q2 2018, the Company will generate its first revenues during 2018. In addition, the Company expects a major value inflection point following the results from its European Phase III study of Chronocort® in CAH patients expected in H2 2018. If approved by the European Medicines Agency (EMA), the Company expects that Chronocort® will enable it to build a strong and profitable European business focused on cortisol replacement therapies, with a combined market size for the treatment of CAH and paediatric AI estimated at $360m.

Following recent progress in its discussions with the FDA, the Company expects to make regulatory submission for Alkindi® to the FDA in 2018, and to initiate a Phase III study with Chronocort® in CAH around the middle of 2018. The US remains the second most important market for Diurnal's late-stage pipeline focused on cortisol deficiency, with a combined market size for the treatment of CAH and paediatric AI estimated at

$132m. In addition, the Company is seeking to pave the way for future indication expansion opportunities with Chronocort® through initiation of a Phase II study in AI patients around the end of 2018. The AI market is a much larger opportunity, with the European and US market estimated at $2.7 billion.

Financial Review

Operating expenses
Operating expenses are in a growth phase, reflecting the investment in headcount and business infrastructure to support the transition of the business to a fully-integrated speciality pharma organisation with commercialisation capabilities in Europe, along with increased investment in developing the late-stage clinical pipeline. This continued investment in the business will support its anticipated growth and development in the coming periods.

Research and development (R&D) expenditure for the Period was £4.7m (H1 2016/17: £4.0m). Expenditure on product development and clinical costs increased by £0.7m in the Period as the Group progressed towards completion of recruitment for the Chronocort® Phase III registration trial in Europe and transitioned patients completing this study into the long-term follow-on study, as well as commencing studies to support the Alkindi® US Phase III programme. The Group has not capitalised development costs for Alkindi® during the Period following the successful Phase III trial in Europe since a key element of the in-market protection for Alkindi® is the exclusivity afforded by the PUMA, which only takes effect once the product is approved by the EU. The Group will capitalise Alkindi® development costs under IAS 38 following the approval of the PUMA, which was after the end of the Period.

Administrative expenses for the Period were £3.0m (H1 2016/17: £1.7m). Expenses in the Period increased by £1.3m, reflecting a substantial increase in infrastructure and pre-commercialisation expenses for Alkindi® in anticipation of its first commercial launch, expected in Q2 2018. The increased costs reflected the team of medical scientific liaisons (MSLs), key account managers (KAMs) and support staff engaged by Ashfield Healthcare during 2017, with 13 individuals in place at the end of 2017, including health economic and market access activities to support pricing discussions with healthcare providers.

Operating loss
Operating loss for the Period increased to £7.7m (H1 2016/17: £5.7m), reflecting the increased operating expenses outlined above.

Financial income and expense
Financial income in the Period was £40k (H1 2016/17: £102k), reflecting lower average cash balances for the Period. Financial expense for the Period was £146k (H1 2015/16: £134k), 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.

Loss on ordinary activities before tax
Loss before tax for the Period was £7.8m (H1 2016/17: £5.7m).

Tax
The current year includes an estimate of the R&D tax credit attributable to the six months ended 31 December 2017; this represents a change from the prior period, as outlined in the accounting policies in the financial statements for the year ended 30 June 2017, where R&D tax credits had previously been recognised when agreed by HMRC. During the Period, the Group received £911k from HMRC in respect of the R&D tax credit claim for the year ended 30 June 2016. The Group has not recognised any deferred tax assets in respect of trading losses arising in the Period.

Earnings per share
Loss per share increased to 12.7 pence (H1 2016/17: 10.9 pence), reflecting the higher operating expenses outlines above.

Cash flow
Net cash used in operating activities was £5.9m (H1 2016/17: £4.5m), driven by the planned increase in investment the commercial infrastructure, pre-commercialisation activities and development of the late-stage clinical pipeline during the Period.

Balance sheet

Total assets decreased to £18.1m (31 December 2016: £26.4m), primarily reflecting the operating cash outflows. Held-to-maturity financial assets at 31 December 2017 were £9.3m (31 December 2016: £14.0m) and cash and cash equivalents were £4.7m (31 December 2016: £11.6m). Total liabilities increased to £7.3m (31 December 2016: £5.8m), reflecting the £3.7m liability component of the convertible loan (31 December 2016: £3.4m), together with trade and other payables of £3.6m (31 December 2016: £2.5m), which increased due to timing of payment of certain clinical trial and manufacturing expenses. Net assets were £10.8m (31 December 2016: £20.6m).

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 2017, 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.

Consolidated income statement
for the six months ended 31 December 2017

	Note	Unaudited 6 months ended 31 Dec 2017 £000	Unaudited 6 months ended 31 Dec 2016 £000	Audited 12 months ended 30 Jun 2017 £000
Research and development expenditure		(4,713)	(3,955)	(8,340)
Administrative expenses		(3,000)	(1,709)	(3,734)
Other operating income		-	-	9
Operating loss		(7,713)	(5,664)	(12,065)
Financial income		40	102	182
Financial expense		(146)	(134)	(272)
Loss before tax		(7,819)	(5,696)	(12,155)
Taxation	6	1,149	-	2,730
Loss for the period		(6,670)	(5,696)	(9,425)
Basic and diluted loss per share (pence per share)	5	(12.7)	(10.9)	(18.0)

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 2017

	Unaudited 6 months ended 31 Dec 2017 £000	Unaudited 6 months ended 31 Dec 2016 £000	Audited 12 months ended 30 Jun 2017 £000
Loss for the period	(6,670)	(5,696)	(9,425)

The Notes form part of this condensed financial information.

Consolidated balance sheet
as at 31 December 2017

	Note	Unaudited As at 31 Dec 2017 £000	Unaudited As at 31 Dec 2016 £000	Audited As at 30 Jun 2017 £000
Non-current assets				
Intangible assets		3	5	4
Property, plant and equipment		27	2	18
		30	7	22
Current assets				
Trade and other receivables		4,049	753	4,025
Held-to-maturity financial assets		9,250	14,000	11,000
Cash and cash equivalents		4,745	11,626	8,881
		18,044	26,379	23,906
Total assets		18,074	26,386	23,928
Current liabilities				
Trade and other payables		(3,624)	(2,451)	(3,341)
		(3,624)	(2,451)	(3,341)
Non-current liabilities				
Loans and borrowings	7	(3,657)	(3,373)	(3,511)
		(3,657)	(3,373)	(3,511)
Total liabilities		(7,281)	(5,824)	(6,852)
Net assets		10,793	20,562	17,076
Equity				
Share capital		2,628	2,610	2,616
Share premium		23,686	23,632	23,675
Consolidation reserve		(2,943)	(2,943)	(2,943)
Other reserve		1,458	1,458	1,458
Retained (losses) / earnings		(14,036)	(4,195)	(7,730)
Total equity		10,793	20,562	17,076

The Notes form part of this condensed financial information.

Consolidated statement of changes in equity
for the six months ended 31 December 2017

	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 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 and Total comprehensive loss for the period	-	-	-	-	(3,729)	(3,729)
Equity settled share based payment transactions	-	-	-	-	194	194
Issue of shares for cash	6	43	-	-	-	49
Total transactions with owners recorded directly in equity	6	43	-	-	194	243
Balance at 30 June 2017	**2,616**	**23,675**	**(2,943)**	**1,458**	**(7,730)**	**17,076**
Loss for the period and Total comprehensive loss for the period	-	-	-	-	(6,670)	(6,670)
Equity settled share based payment transactions	-	-	-	-	368	368
Issue of shares for cash	8	11	-	-	-	19
Capitalisation of reserves	4	-	-	-	(4)	-
Total transactions with owners recorded directly in equity	12	11	-	-	364	387
Balance at 31 December 2017	**2,628**	**23,686**	**(2,943)**	**1,458**	**(14,036)**	**10,793**

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 2017

	Unaudited 6 months ended 31 Dec 2017 £000	Unaudited 6 months ended 31 Dec 2016 £000	Audited 12 months ended 30 Jun 2017 £000
Cash flows from operating activities			
Loss for the period	(6,670)	(5,696)	(9,425)
Adjustments for:			
Depreciation, amortisation and impairment	6	2	7
Share-based payment	368	324	518
Financial income	(40)	(102)	(182)
Finance expenses	146	134	272
Taxation	(1,149)	-	(2,730)
Decrease / (increase) in trade and other receivables	213	(151)	(771)
Increase in trade and other payables	284	970	1,861
Cash flow used in operations	(6,842)	(4,519)	(10,450)
Tax received	911	-	-
Net cash used in operating activities	(5,931)	(4,519)	(10,450)
Cash flows from investing activities			
Additions of property, plant and equipment	(14)	-	(20)
Purchases of Held-to-maturity financial assets	(5,500)	-	(11,000)
Disposals of Held-to-maturity financial assets	7,250		14,000
Interest received	40	31	189
Net cash from investing activities	1,776	31	3,169
Cash flows from financing activities			
Net proceeds from issue of share capital	19	-	48
Net cash generated by financing activities	19	-	48
Net (decrease)/increase in cash and cash equivalents	(4,136)	(4,488)	(7,233)
Cash and cash equivalents at the start of the period	8,881	16,114	16,114
Cash and cash equivalents at the end of the period	4,745	11,626	8,881

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 substantial commercial 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 2017, 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 2017 and for the six months ended 31 December 2016 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 2017 have been extracted from the audited statutory accounts which were approved by the Board of Directors on 5 September 2017 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 2017.

3 Accounting policies

These consolidated interim financial statements for the six months ended 31 December 2017 include the results of Diurnal Group plc and its wholly-owned subsidiaries, Diurnal Limited and Diurnal Europe B.V.. 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 2017 and expected to be adopted in the financial year ending 30 June 2018.

Where new IFRS standards amendments or interpretations became effective in the six months to the 31 December 2017, 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 2017	Unaudited 6 months ended 31 Dec 2016	Audited 12 months ended 30 Jun 2017
Loss for the period (£000)	(6,670)	(5,696)	(9,425)
Weighted average number of shares (000)	52,430	52,211	52,235
Basic and diluted loss per share (pence per share)	(12.7)	(10.9)	(18.0)

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 2017 £000	Unaudited 6 months ended 31 Dec 2016 £000	Audited 12 months ended 30 Jun 2017 £000
Current tax			
- UK corporation tax on losses of period	-	-	-
- Research and development tax credit receivable for the current period	(1,149)	-	(1,819)
- Prior period adjustment in respect of research and development tax credit	-	-	(911)
Deferred tax:		-	
- Origination and reversal of temporary differences	-	-	-
Current tax credits for the period	(1,149)	-	(2,730)

The Group is entitled to claim tax credits in the United Kingdom under the UK research and development (R&D) small or medium-sized enterprise (SME) scheme, which provides additional taxation relief for qualifying expenditure on R&D activities, and includes an option to surrender a portion of tax losses arising from qualifying activities in return for a cash payment from HM Revenue & Customs (HMRC). With effect from the year ended 30 June 2017, the Group reflects R&D tax credits on an accruals basis since it has established a track record of agreeing claims with HMRC.

7 Loans and borrowings

	Unaudited As at 31 Dec 2017 £000	Unaudited As at 31 Dec 2016 £000	Audited As at 30 Jun 2017 £000
Non-current loans and borrowings			
Convertible loans	3,657	3,373	3,511
Other non-current loans	-	-	-
	3,657	3,373	3,511
Total loans and borrowings	3,657	3,373	3,511

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 2017, the amount outstanding comprised:

	Unaudited As at 31 Dec 2017 £000	Unaudited As at 31 Dec 2016 £000	Audited As at 30 Jun 2017 £000
Loan amount brought forward	3,511	3,239	3,239
Accrued interest	146	134	272
Liability component at period end	3,657	3,373	3,511
Less amount included in current liabilities	-	-	-
Included in non-current liabilities	3,657	3,373	3,511