15 September 2020

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

Results for the year ended 30 June 2020

Successful commercialisation of Alkindi® underpins development of European commercial business

US commercialisation deal for Alkindi® Sprinkle significantly expands global footprint

Further significant inflection points expected in the next 12 months

Diurnal Group plc (AIM: DNL), the specialty pharmaceutical company targeting patient needs in chronic endocrine (hormonal) diseases, announces its audited results for the year ended 30 June 2020.

Operational highlights

Alkindi®

- Launches of Alkindi® (hydrocortisone granules in capsules for opening) in Sweden, Denmark, Norway, Iceland (with partner FrostPharma) and Italy, following initial launches in UK, Germany and Austria
- Alkindi® Sprinkle New Drug Application (NDA) submitted to the US Food and Drug Administration (FDA) and subsequently accepted for review, with PDUFA date set as 29 September 2020
- US licensing agreement signed with Eton Pharmaceuticals (Eton) for Alkindi® Sprinkle, with upfront payment of $5.0m (of which $1.5m was satisfied through the issue to Diurnal of Eton shares) and an additional $2.5m cash milestone payment upon first commercial sale following regulatory approval and grant of Orphan Drug Status
- Progress in the rest of world with Alkindi® Marketing Authorisation Application (MAA) submission in Australia

Chronocort®

- Submission and subsequent validation of Marketing Authorisation Application (MAA) for Chronocort® (modified release hydrocortisone) to the European Medicines Agency (EMA), with recommendation for approval of Chronocort® by the EMA anticipated in Q1 2021
- Data from the Chronocort® European Phase 3 trial selected for presentation at the prestigious international 2020 ENDO meeting
- US Phase 3 clinical trial protocol updated and submitted to the US FDA for a Special Protocol Assessment meeting

DITEST™

- Positive headline results from the DITEST™ (native oral testosterone formulation) Phase I proof-of-concept clinical trial in target hypogonadal patients, with potential to be the first effective oral native testosterone treatment in an estimated $4.8bn global market

Financial overview

- Total revenues of £6.3 million (2019: £1.0 million), including £3.9m (2019: £nil) in licensing income
- Alkindi® product sales growth of 130% to £2.4 million (2019: £1.0 million)
- Successful completion of a £11.2 million Placing with institutional investors to fund further development of Diurnal's late-stage pipeline and commercial roll-out
- Substantially reduced operating loss of £5.4 million (2019: £14.5 million), reflecting increase in Alkindi® revenues, Eton licensing income and reduced operating expenses
- Strong financial position with cash and cash equivalents at 30 June 2020 of £15.4 million (30 June 2019: £9.1 million)

Post-period highlights

- Alkindi® MAA approved in Australia and Israel
- Further distribution agreements executed for Alkindi® and Chronocort® in the Benelux Union (consisting of Belgium, the Netherlands, and Luxemburg) and for Alkindi® in Switzerland

Date of preparation: September 2020 Code: CORP-GB-0075

- Positive meeting with the US FDA confirming 505(b)(2) regulatory pathway for DITEST™

Martin Whitaker, CEO of Diurnal, commented:
"During the financial year we have made significant progress as a business, both financially and operationally. We have increased our commercial footprint in key markets whilst advancing both Alkindi® Sprinkle in the US and Chronocort® in Europe along their respective regulatory pathways. During the next 12 months we anticipate significant value inflection points for Diurnal, with the anticipated approvals for Alkindi® Sprinkle in the US and Chronocort® in Europe, following recent approvals for Alkindi® in Australia and Israel. We will also assess the opportunities for progression of Chronocort® into Phase 3 development in the US and DITEST™ into its next clinical trial, following confirmation of the regulatory path with the FDA. Our successful fundraise in March 2020 has significantly strengthened our financial position and allows us to progress our vision of becoming a world-leading specialty pharma company in endocrinology, underpinned by the further development of our cortisol deficiency business, represented by Alkindi® and Chronocort®."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014 (MAR).

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Notes to Editors

About Diurnal Group plc
Founded in 2004, Diurnal is a UK-headquartered, European 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.

Date of preparation: September 2020 Code: CORP-GB-0075

Chairman's Statement

I am very pleased to report that the past financial year marks a key transition in Diurnal's progress towards its vision of becoming a world-leading endocrinology specialty pharma company. During this period, Diurnal completed two key regulatory filings, executed its first major international licensing deal and concluded a fundraising that underpins the Group's finances for its late-stage cortisol deficiency franchise, notwithstanding the extremely challenging backdrop in the first half of 2020 arising from the Covid-19 pandemic. The Group is also undergoing an internal transition, with a search underway for a new Chairman to lead Diurnal through its next period of growth following Peter Allen's decision to step down at the end of June 2020. Until this process has concluded, I am delighted to lead Diurnal as Interim Chairman.

Building a strong commercial presence in endocrinology

The cornerstone of Diurnal's growth plans is the commercialisation of Alkindi® and Chronocort® in major European markets, where the Group can cost effectively promote these innovative products to specialist endocrinologists. Outside these core territories, Diurnal's strategy is to engage licensing or distribution partners which have extensive local knowledge, a strong commitment to our products and the ability to rapidly gain market access.

Diurnal has used Alkindi® to build a fully integrated organisation that has the capabilities to design, develop and commercialise innovative products addressing key unmet patient needs in chronic endocrine diseases. Assuming Chronocort® is approved as anticipated in 2021, the ability to plug in to our existing European commercial infrastructure and supply chain is expected to lead to a rapid take-up of this product, and subsequently create a profitable franchise in diseases of cortisol deficiency. In the longer term, this profitability will enable Diurnal to self-finance its innovative early-stage pipeline products, thereby potentially yielding a portfolio of high-quality products to patients, as well as providing major value-inflection points for Diurnal's shareholders.

Strong performance despite Covid-19 disruption

During the second half of 2019, Diurnal announced that it had filed the Alkindi® NDA with the US FDA and, subsequently, filed its Chronocort® MAA with the EMA. It is a significant achievement, particularly in the UK biopharma sector, to have made two major regulatory filings in such quick succession. These filings represent the culmination of an intense effort by the Group's employees and advisers. Additionally, Diurnal's partners in Australia and Israel filed corresponding marketing authorisation submissions for Alkindi® in mid-2019 which were both approved post year end, highlighting the quality and robustness of the supporting data package for Alkindi®.

Progress with Alkindi® in the US has enabled Diurnal to execute its first major international licensing deal, with Eton Pharmaceuticals. In Eton, Diurnal has a dedicated partner that understands the key benefits of the product and preparations are underway for a rapid launch of Alkindi®, assuming approval as anticipated in H2 2020.

The progress in building out Diurnal's European commercial operations was evidenced through the significant increase in Alkindi® sales compared to the prior year. This growth was achieved despite the inability of medical and sales representatives to access hospitals due to the impact of Covid-19, highlighting the unmet need that Alkindi® is fulfilling in paediatric patients with adrenal insufficiency.

The Covid-19 pandemic has also provided some unprecedented challenges in running clinical trials, an area in which there is likely to be persistent challenges throughout the pharmaceutical industry even as the lockdown measures relax around the world. Diurnal's team has worked closely with treating physicians to ensure that all patients retain access to Chronocort® in the ongoing European dose-extension study.

Behind the scenes, the Group also successfully completed two regulatory inspections, covering its Good Distribution Practice (GDP) and global pharmacovigilance (PV) systems. This reflects the strong culture of quality within Diurnal's operations.

Building a sustainable product pipeline

Diurnal has managed to make significant progress with its native oral testosterone product, DITEST™. Shortly after the end of the period, Diurnal announced that the FDA had confirmed the 505(b)(2) regulatory pathway is suitable for DITEST™, enabling a significantly shorter development route. The Group continues with activities required to facilitate further clinical development and is assessing its options to finance the next stage of clinical development. The Group is also considering a number of further opportunities for the development of endocrinology-focused products addressing high levels of unmet need.

Financed for future growth
The Group has ended the financial year in a strong financial position as a result of the £11.2m placing in March 2020 and the upfront cash payment of $3.5m (£2.9m) from Eton following execution of the Alkindi® US licensing deal. I would like to thank our shareholders for their continued support of Diurnal in pursuit of our vision.

People and culture
Peter Allen stood down from the Board of Diurnal at the end of June 2020, reflecting the significant and rapid changes in corporate governance guidelines in relation to his portfolio of directorships. During Peter's five years as Chairman, his wise counsel has been invaluable in building the Group to its current strong financial and operating position, spanning the IPO in late 2015 as well as a series of subsequent fundraisings. On behalf of the Board, I would like to thank Peter for his significant contributions and wish him well in his future endeavours.

Diurnal has had a flexible working ethos since its outset, with most of its staff being home based. This has enabled it to attract the best people, regardless of location, and has become a significant strength for Diurnal with people reassessing working arrangements as a result of the Covid-19 lockdown. Indeed, Diurnal has added a number of new employees during the lockdown, further strengthening its team. I would like to thank all of Diurnal's employees for their resourcefulness and resilience over the last year, which has allowed the Group to meet a number of significant challenges.

Outlook
Diurnal remains confident about the prospects for growing the Alkindi® and Chronocort® franchise, despite a backdrop of global uncertainty with Covid-19 and domestic uncertainty as we approach the end of the Brexit transition period. In particular, the Group has a number of key milestones during the next 12 months, including anticipated approvals for Alkindi® in the US and Chronocort® in Europe, that are expected to be major inflection points. Diurnal believes that it is well placed to capitalise on these opportunities and in its ability to build a strong, profitable franchise around diseases of cortisol deficiency.

Sam Williams
Interim Chairman
14 September 2020

Chief Executive Officer's Review

A year of progress
During the past year, Diurnal has made excellent progress across its business, despite the challenging backdrop posed by Covid-19 lockdown measures in the second half of our financial year. Diurnal, and its distribution and licensing partners, has made three regulatory submissions during the year, with two regulatory approvals being received shortly after the end of the financial year. Diurnal also successfully completed an £11.2m fundraising which will underpin the next phase of the Group's development.

The Group's primary focus remains on Chronocort® and Alkindi®, our two lead products, which are potentially valuable treatment options for congenital adrenal hyperplasia (CAH) and paediatric adrenal insufficiency (AI), underserved orphan diseases resulting from cortisol deficiency. These commercial opportunities are worth over $0.5bn across the US and Europe. Diurnal has also broadened its product portfolio following positive Phase 1 data from its oral native testosterone product, DITEST™, during the year.

Diseases of cortisol deficiency: valuable near-term focus
Diurnal's late-stage development pipeline is targeting disorders of the adrenal axis with two novel formulations of hydrocortisone.

CAH is an orphan genetic condition caused by the deficiency of adrenal enzymes, most commonly 21-hydroxylase, which is required to produce cortisol, an essential hormone in regulating metabolism and the response to stress. The block in the cortisol production pathway causes the over-production of male steroid hormones (androgens), which are precursors to cortisol. The condition presents at birth and affects both sexes. Cortisol deficiency and over-production of male sex hormones can lead to increased mortality, infertility and severe development defects including ambiguous genitalia, premature sexual development and short stature. Sufferers, even if treated, remain at risk of death through an adrenal crisis. The condition is estimated to affect approximately 41,000 patients in Europe and 16,000 patients in the US, with approximately 405,000 patients in the rest of the world.

AI is a condition characterised by deficiency in cortisol acquired during a person's lifetime. The primary symptom of AI is chronic fatigue and patients are at risk of adrenal crisis and death if they do not have adequate cortisol replacement. AI is either primary or secondary, with primary AI resulting from diseases intrinsic to the adrenal gland and secondary AI resulting from pituitary diseases where there is a failure of the pituitary gland to stimulate the adrenal gland. The condition is estimated to affect approximately 297,000 patients in Europe and 154,000 patients in the US, with approximately 3 million patients in the rest of the world.

Paediatric AI and the related condition CAH has been identified as an orphan disease in the US, where there are estimated to be approximately 5,000 sufferers under the age of 17, and in Europe, where there are estimated to be around 10,000 sufferers under the age of 18. Untreated, the disease is associated with significant morbidity and increased mortality.

Building a profitable European commercial business
The foundation of Diurnal's long-term strategy is its commercialisation infrastructure in key European markets. Diurnal has created one of the few dedicated endocrinology-focused commercial teams in Europe, dedicated to building awareness of its products within the concentrated prescribing community of endocrinologists, initially with Alkindi® following its regulatory approval in 2018. Outside of Western Europe Diurnal intends to seek distribution or licensing partners in order to rapidly access these markets and to maximise the return on its commercial products.

Alkindi® Europe: strong revenue growth
Alkindi® is the first product specifically designed for young children suffering from paediatric AI and the related condition CAH. Alkindi® is licensed in Europe and has been proven to be effective, safe and easy to administer. Diurnal's Alkindi® commercialisation efforts are focused in the larger European markets, and initially on patients aged 0-6 years where the unmet need is highest. The Group assesses the most effective means of accessing smaller European markets on a case-by-case basis, either using its in-house capabilities or through distribution partners.

The commercial roll-out of Alkindi® has continued during the year, with launches in Italy and Austria and, through its partner FrostPharma, in Sweden, Denmark, Norway and Iceland. Diurnal believes that the health economic arguments underpinning Alkindi® are robust and support pricing submissions in the remaining key European markets. Whilst there has been significant disruption to commercialisation efforts in 2020 due to the inability to access hospitals as a result of Covid-19 lockdown measures, Alkindi® sales have progressed significantly during the year and the Group expects strong future revenue growth for Alkindi® as the impact of

Covid-19 lessens. Shortly after the end of the year, Diurnal announced distribution deals with Consilient Healthcare for the marketing of Alkindi® and Chronocort® in the Benelux countries and with an undisclosed partner for Alkindi® in Switzerland. These deals provide a highly effective means of maximising market access by plugging into established commercial organisations.

Diurnal has developed a robust product supply chain to support the commercial roll-out of Alkindi® and to minimise potential disruption to the Group's operations should the UK be unable to negotiate a trade agreement with the European Union (EU) before the end of the Brexit transition period. The Group's supply chain remains located within the EU, with manufacturing of Alkindi® capsules in Germany, packaging in France and distribution from the Netherlands. Diurnal's wholly owned subsidiary, Diurnal Europe B.V., holds the Alkindi® European marketing authorisation and Wholesaler Dealer Licence (WDA) required to market Alkindi® in the European Economic Area (EEA), whilst the UK operating company, Diurnal Limited, holds the required WDA to market Alkindi® in the UK.

To ensure the Group is able to meet anticipated future demand for Alkindi®, several manufacturing improvement initiatives are underway at Glatt, Diurnal's contract manufacturer, including the installation of a higher throughput encapsulation machine and scale-up of the granule manufacturing process to approximately 50% higher than the current scale. It is envisaged that these enhancements will be submitted for regulatory approval during 2021.

Chronocort® Europe: preparing for commercialisation
Diurnal's second product candidate, Chronocort®, provides a drug release profile that the Group believes better mimics the body's natural cortisol circadian rhythm, which current therapies are unable to replicate, and is designed to improve disease treatment for adults with CAH, as measured by androgen (male sex hormone) control.

During the year, Diurnal submitted a MAA to the EMA for Chronocort® as a treatment for adult and adolescent patients with CAH. The MAA subsequently passed validation with the European Medicines Agency (EMA) in March 2020, confirming that the submission is sufficiently complete to begin the formal review process. The MAA submission followed a positive meeting with the EMA and written formal Scientific Advice confirming the clinical and regulatory pathway for Chronocort®, based on detailed analysis of data from the Group's Phase 3 study conducted in a total of 122 patients enrolled across 11 clinical sites, the largest ever interventional clinical trial in CAH, and an open-label safety extension study for patients completing treatment in the Phase 3 study. This extension study is 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 did so, and patient retention rates in this study have been high, with a number of patients on this trial having been treated for over 42 months at the latest data cut in April 2020. Patients on this trial have, to date, shown sustained benefit from extended Chronocort® treatment.

Shortly after the financial year end, Diurnal received the first formal set of questions from the EMA ("Day 120 questions") and is working to provide responses to these, including data from the latest data-cut of the Chronocort® extension study taken during the financial year, in line with the EMA's timetable. Assuming responses to these (and any subsequent) questions are acceptable to the EMA, Diurnal anticipates receiving recommendation for approval of Chronocort® in Europe in Q1 2021, with formal approval to follow in Q2 2021. In parallel with the MAA submission, Diurnal will apply for confirmation of Orphan Drug Status for Chronocort® in CAH.

Assuming the EMA approves Chronocort® for the treatment of CAH, Diurnal subsequently intends to submit a line extension in Europe for the treatment of AI, a much larger market opportunity, once an existing Orphan Drug Designation for the product Plenadren® in the treatment of adult AI has expired. This planned submission will use existing clinical data, along with data from a planned study comparing Chronocort® with Plenadren®.

The market access and pricing work undertaken for Alkindi® have provided insights into the cortisol deficiency market that are extremely valuable as Diurnal begins to develop its health economic arguments for Chronocort®. Extension study data will also be extremely valuable in preparing for pricing and reimbursement discussions. Additionally, the Group intends to leverage the commercial organisation and supply chain it has developed for Alkindi® for the planned future launch of Chronocort® in Europe, which will provide significant synergies and should enable the Group to build a profitable European franchise in diseases of cortisol deficiency in the near term.

Expanding Diurnal's global footprint

During the past year, Diurnal has made significant progress in bringing its products to patients suffering from CAH and AI outside of Europe, in particular through its distribution and licensing agreements.

Alkindi® US: valuable licensing deal
Diurnal successfully submitted its Alkindi® US NDA in November 2019 following a positive meeting with the US Food and Drug Administration (FDA) in Q1 2019 which confirmed Diurnal's clinical and regulatory pathway for the product in the US. The NDA was subsequently accepted for review by the FDA in February 2020. In the US, the product will be known as Alkindi® Sprinkle; Diurnal is seeking approval of Alkindi® Sprinkle as a replacement therapy of AI in infants, children and adolescents (from birth to <17 years old) in the US. The PDUFA date set by the FDA, which would be the earliest date at which approval could occur, is 29 September 2020.

Reflecting the progress with Alkindi® Sprinkle, Diurnal was able to execute a valuable licensing deal with the US specialty pharmaceutical company Eton Pharmaceuticals in April 2020. Eton is a NASDAQ-listed specialty pharmaceutical company focused on developing, acquiring and commercialising innovative products. Eton is primarily focused on hospital and paediatric products, including those in endocrinology. Diurnal will be responsible for obtaining registration for Alkindi® Sprinkle in the US and Eton will be responsible for all commercialisation activities, including pricing and reimbursement. Eton will initially utilise product from Diurnal's European supply chain, with an option to establish its own supply chain in the US in the future.

Under the terms of the licensing agreement, Diurnal received a non-refundable upfront payment of $5.0m, of which $3.5m was in cash and $1.5m was in new Eton shares, and will receive an additional $2.5m cash milestone payment upon first commercial sale in the US following regulatory approval and grant of Orphan Drug Status. Diurnal will receive a tiered royalty on sales and is also due sales-based milestone payments. Diurnal believes Eton is extremely well positioned to maximise the value of Alkindi® Sprinkle; in particular, its recent experience in replacing unapproved compounded products with approved pharmaceutical products will be invaluable in establishing Alkindi® Sprinkle in the US. Eton estimates the market opportunity for Alkindi® Sprinkle in the US could be in excess of $100m.

Chronocort® US: preparing for pivotal studies
During the past year, Diurnal has also refined its US development strategy for Chronocort®, to reflect both previous feedback from the FDA and its own experience with the European Phase 3 study. The design of the US Phase 3 study has now been optimised based on this information and, shortly after the end of the financial year, Diurnal submitted the updated protocol to the FDA for a Special Protocol Assessment (SPA) meeting. If granted, the SPA potentially offers more certainty for ultimate approval of Chronocort® in the US, assuming that the clinical endpoints of the Phase 3 study are met. The Phase 3 registration study for Chronocort® in the US will recruit up to 150 patients with CAH randomised to either receive Chronocort® twice daily or standard of care. The study is expected to commence once the Group has either secured additional funding to run the study or has identified a US development and commercialisation partner for Chronocort®. Diurnal believes that the preparatory work previously undertaken for this study, including identification of key clinical sites, will substantially accelerate the start-up once the study financing has been secured.

Diurnal is also planning a Phase 2 study design to assess the utility of Chronocort® in AI, which represents a sizeable commercial opportunity in the US of potentially close to $1bn, with a highly favourable competitive landscape. Diurnal has developed a protocol for this study, which it intends to commence alongside the Phase 3 registration study on CAH, subject to funding for either in-house development or with the support of a US partner.

Optimising global market access
During the year, Diurnal continued to optimise market access for its products outside of key European markets and the US, where the Group aims to maximise revenues from Alkindi® and Chronocort® by entering into distribution and/or licensing agreements. The Group seeks to access territories where there is the potential for a price which reflects the innovation for its products, and which can use the European or US regulatory dossiers as the basis for local regulatory submissions.

Diurnal has existing agreements with Emerge Health for the marketing of Alkindi® and Chronocort® in Australia and New Zealand, and Medison for the marketing of Alkindi® and Chronocort® in Israel. During the year, Emerge Health successfully submitted an MAA for Alkindi® in Australia, which followed Medison's MAA submission towards the end of the previous financial year. Shortly after the financial year end, Diurnal announced that Alkindi® had been approved by the Ministry of Health in Israel as a replacement therapy of AI in infants, children and adolescents and by the Australian Therapeutic Goods Administration (TGA) as replacement therapy in AI with no age restriction.

Japan represents a significant opportunity for Alkindi® and Chronocort®, with the market size for CAH and AI estimated at $0.4bn. Diurnal has been working with a leading global contract research organisation during the year to assess the optimum strategy for development and registration of these products in Japan, including the potential for Orphan Drug Designation. Following completion of this assessment, Diurnal intends to enter into a dialogue later in 2020 with potential partners for development and commercialisation of Alkindi® and Chronocort® in this important market.

Diurnal also continues to assess the potential for the commercialisation of Alkindi® and Chronocort® in China and has been in dialogue with local companies to assess the requirements for registration. There is particular interest in China for Alkindi®; the Chinese health authorities have recognised CAH as a rare disease and, additionally, have designated the treatment of chronic paediatric diseases as a priority area. China represents a large market opportunity for paediatric AI and the related condition CAH, with patient numbers estimated to be at least twice the size of the European market.

Early-stage pipeline: targeting needs in endocrine diseases

Diurnal aspires to be a significant participant in the endocrinology field, with a pipeline of therapies targeting multiple endocrine disorders where patient and clinical needs are underserved. Whilst Diurnal's primary focus is currently on bringing its cortisol deficiency pipeline to the market in Europe and the US and to expand these products into new indications and geographies, the Group's long-term plan is to expand into further endocrine disease areas, such as those associated with the thyroid, gonads and pituitary.

DITEST™: clear pathway to US registration

During the year, Diurnal announced positive headline results from its Phase 1 proof-of-concept clinical study with DITEST™, its native oral testosterone therapy for the treatment of male hypogonadism. The estimated $4.8bn market in the US and Europe for testosterone-based products for the treatment of hypogonadism is dominated by topically available products, which have compliance and safety issues, while key issues with the use of alternative, oral modified testosterone products (testosterone undecanoate) have been the variability in absorption and the requirement for a high-fat meal to achieve therapeutic testosterone levels. This Phase 1 study, which confirmed the positive findings in the Group's successful *in vivo* pre-clinical studies, evaluated the pharmacokinetics, safety and tolerability of DITEST™ in the target patient group of 24 adult men with primary or secondary hypogonadism. The primary endpoint of the trial compared the rate and extent of absorption of testosterone from a single dose of DITEST™ with a single dose of testosterone undecanoate in the fed state in hypogonadal men. DITEST™ was shown to achieve testosterone levels within the healthy young male adult normal range after oral administration, with levels that were less variable than testosterone undecanoate. Secondary endpoints demonstrated that there was no impact on the rate and extent of absorption of testosterone from DITEST™ whether taken with either food or in the fasted state, representing a major difference with testosterone undecanoate. The safety and tolerability of two different doses of DITEST™ were also assessed in the study: there were no serious adverse events in the DITEST™ arm of the study, and levels of the potent testosterone derived androgen, dihydrotestosterone (DHT), were lower than with testosterone undecanoate.

Following these positive results, the Group consulted with the FDA, which confirmed that DITEST™ can progress to an NDA via the abbreviated 505(b)(2) route, which relies, in part, on published literature and other non-Company studies to support a marketing application and can significantly accelerate the time to approval, compared to FDA-designated new chemical entities. Diurnal is currently assessing opportunities to fund the next stage of clinical development.

Diurnal's other early-stage pipeline products include a modified-release T3 replacement therapy for patients with hypothyroidism who do not respond to the current standard of care (a potential market of $1bn in the US and Europe), and its novel siRNA therapy for Cushing's disease (a market opportunity of close to $0.5bn), a condition characterised by an excess of cortisol. In addition, Diurnal regularly assesses third party products for endocrine disorders that fit within its strategic vision.

Outlook

We believe the combined opportunity for Alkindi® and Chronocort® in CAH and paediatric AI is worth over $0.5bn in the US and Europe alone and Diurnal expects to make continued progress with both franchises during the current financial year, especially as Covid-19 lockdown measures begin to ease. In particular, if approved by the EMA, Chronocort® will join Alkindi® to enlarge the Group's commercial cortisol replacement therapy franchise. This should enable Diurnal to build a strong and profitable European business through penetration of the combined addressable market for the treatment of CAH and paediatric AI. Diurnal also anticipates approval for Alkindi® in the US, which should generate a strong stream of royalties and milestone payments from its partner Eton.

With the operational progress made over the past year, along with its strengthened financial position, Diurnal believes it can become a profitable European biopharmaceutical company, based upon successfully taking multiple products from concept to commercialisation.

Martin Whitaker
Chief Executive Officer
14 September 2020

Financial review

Revenues and gross margin

Total revenues for the year were £6.3m (2019: £1.0m) comprising product sales of Alkindi® of £2.4m (2019: £1.0m), and licensing income of £3.9m (2019: £nil).

The strong growth in product sales of Alkindi® reflects both continued growth in Germany and the UK, where Alkindi® was launched in 2018, as well as new launches during the financial year in Austria, Sweden, Denmark, Norway and Iceland. This growth was achieved despite restrictions on the ability to access prescribers during the first half of 2020 due to Covid-19 lockdown measures. Alkindi® was launched in Italy during February 2020; however, product sales have been extremely limited due to the Covid-19 pandemic. Alkindi® also achieved reimbursement in the Netherlands during the year and the Group expects further country launches during the 2020/21 financial year that will provide revenue growth for Alkindi®, in addition to continued growth in existing markets.

Licensing income represents the non-refundable upfront payment of $5m received from Eton following signature of an exclusive licensing agreement for Alkindi® Sprinkle in the US. This upfront payment was satisfied by a cash payment of $3.5m and the issue to Diurnal of 379,474 Eton shares, representing value of $1.5m based upon a trailing average price prior to execution of the agreement. These shares will be marked to market, with any movement in share price recognised as a fair value movement through the consolidated income statement; a gain of £0.6m was recognised on the Eton shares at 30 June 2020. The upfront payment has been recognised in full in the 2019/20 financial year, as it is not associated with any future obligations.

Cost of goods relates entirely to product sales of Alkindi®. Gross margin for Alkindi® product sales during the year was 72% (2019: 79%). The overall gross margin is impacted by the mix of sales by country, in particular for the Nordic region where Diurnal divides revenue with its distribution partner, and by dose strength. As Alkindi® sales volumes grow, the Group expects to be able to realise margin improvements through manufacturing efficiencies. Additionally, Diurnal has implemented several measures with its manufacturing partners to further reduce the cost of goods, as detailed in the Chief Executive Officer's Review.

Operating expenses

Research and development (R&D) expenditure as reported for the year was £4.6m (2019: £8.7m). During the prior year, R&D expenditure increased significantly as the Group undertook activities to initiate a Chronocort® US Phase 3 trial in CAH and a US Phase 2 trial in AI; following the Chronocort® European Phase 3 trial read-out in October 2018, these US clinical studies were put on hold, in order to reassess the study designs. In addition, the prior year includes costs of completion of the Chronocort® Phase 3 registration trial in Europe. Reflecting this expected reduction in clinical development activity, R&D expenses reduced significantly in the year. Key ongoing development activities include the Chronocort® dosing extension study in Europe and manufacturing process improvement work for Alkindi® and Chronocort®. R&D costs are net of capitalised development costs for Alkindi® in Europe of £38k (2019: £37k). The Group continues to expense development costs relating to the separate programmes for Alkindi® in the US and for Chronocort® in Europe and the US.

In order to provide more detailed information on the financial impact of the continued build-out of Diurnal's European commercial infrastructure to support Alkindi® and the planned future launch of Chronocort®, selling and distribution expenses have been split out from administrative expenses. Figures for the year ended 30 June 2019 have been reanalysed on the same basis, to provide useful comparative information.

Selling and distribution expenses, comprising the costs of the Group's sales and marketing, medical scientific liaison and supply chain activities, were £4.1m (2019: £4.5m). The prior year included significant expenditure relating to market access activities required to secure pricing for Alkindi® in Europe. In addition, following the Chronocort® European Phase 3 trial read-out in October 2018, a number of cost-saving measures were implemented during the prior year, including a restructuring of the commercial team engaged by Ashfield Healthcare.

Administrative expenses for the year were £2.9m (2019: £2.2m). Expenses in the prior year included a credit of £0.6m relating to the provision for employer's National Insurance contributions on future share option exercises, reflecting the fall in the share price following the announcement of the Chronocort® Phase 3 clinical trial headline data in October 2018.

Operating loss

Operating loss for the year reduced to £5.4m (2019: £14.5m), reflecting the increased revenues and lower overall operating expenses outlined above.

Financial income and expense
Financial income in the year was £114k (2019: £130k), reflecting both lower average cash balances compared to the previous year and along with a reduction in interest rates following the introduction of economic measures resulting from the Covid-19 pandemic.

Loss before tax
Loss before tax for the period was £5.3m (2019: £14.4m).

Tax
The current year includes the estimated research and development tax credit claim in respect of the year ended 30 June 2020 of £1,194k, which has not yet been submitted to HMRC, along with an additional £14k in respect of the year ended 30 June 2019 following finalisation and agreement of the claim, offset by a provision of £2k for tax payable by its Dutch subsidiary. The reduction in Research & Development (R&D) tax credit receivable at the year end mirrors the reduction in R&D expenditure highlighted above.

The Group has not recognised any deferred tax assets in respect of trading losses arising in either the current financial year or accumulated losses in previous financial years.

Earnings per share
Loss per share was 4.3 pence (2019: 19.7 pence).

Cash flow
Net cash used in operating activities was £4.8m (2019: £13.7m). The operating cash outflow was significantly reduced in the second half of the year, reflecting the increase in revenues and reduced operating expenditure, as detailed above.

Net cash from financing activities during the year of £10.7m represents the net proceeds of the placing completed in March 2020. Net cash from financing activities in the prior year of £5.5m reflects the net proceeds of the placing and open offer completed in June 2019.

Balance sheet
Net assets increased to £18.4m (2019: £10.9m), largely reflecting the placing completed in March 2020, offset by the utilisation of cash in operating activities highlighted above.

Stock represents raw materials, components, work in progress and finished goods relating to commercial supplies of Alkindi®. Total stock at the year end increased substantially to £1.2m (2019: £0.7m), largely reflecting both manufacturing batches in progress, to support the planned product launches and further growth in Alkindi®, as well as higher levels of stocks for the UK in order to mitigate potential impacts following the end of the Brexit transition period in December 2020.

Cash and cash equivalents were £15.4m (2019: £9.1m). Total liabilities were similar to the prior year at £2.6m (2019: £2.5m).

Financial outlook
During the next financial year, the Group will continue to invest in launch activities in anticipation of the expected approval of Chronocort® in Q1 2021, including accumulation of commercial stocks of Chronocort®. This is expected to result in a significant increase in selling and distribution costs, and also a further increase in inventories. The Group will continue activities designed to improve the gross margin of its products whilst minimising its working capital requirements and is also focused on maintaining a disciplined cost base outside of planned investments.

Following the completion of the placing in March 2020 and receipt of the $3.5m upfront payment from Eton, Diurnal expects its cash resources to take it through to profitability based upon current plans and assumptions, including expectations regarding the timing of product approvals and sales projections. These plans do not include the potential for investment in DITEST™ clinical development and/or Chronocort® US development, which would be subject to additional financing being available to the Group.

Richard Bungay
Chief Financial Officer
14 September 2020

Consolidated income statement
for the year ended 30 June 2020

	Note	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Revenue		6,313	1,044
Cost of sales		(668)	(224)
Gross profit		5,645	820
Research and development expenditure		(4,625)	(8,690)
Selling and distrubution expenditure[1]		(4,135)	(4,506)
Administrative expenses[1]		(2,904)	(2,150)
Other gains - net	8	627	-
Operating loss		(5,392)	(14,526)
Finance income	5	114	130
Loss before tax		(5,278)	(14,396)
Taxation	6	1,206	2,108
Loss for the year		(4,072)	(12,288)
Basic and diluted loss per share (pence per share)	7	(4.3)	(19.7)

All activities relate to continuing operations.

Consolidated statement of comprehensive income
for the year ended 30 June 2020

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Loss for the year and total comprehensive loss for the year	(4,072)	(12,288)

[1] Comparative data reanalysed from previously published financial results as detailed in the Financial Review

Consolidated balance sheet
as at 30 June 2020

	Note	2020 £000	2019 £000
Non-current assets			
Intangible assets		79	49
Property, plant and equipment		23	33
Investments held at fair value through profit and loss	8	1,668	-
		1,770	82
Current assets			
Inventories	9	1,241	672
Research and development tax credit claims receivable	6	1,194	2,105
Trade and other receivables	10	1,337	1,457
Cash and cash equivalents	11	15,434	9,147
		19,206	13,381
Total assets		20,976	13,463
Current liabilities			
Trade and other payables	12	(2,555)	(2,503)
		(2,555)	(2,503)
Non-current liabilities			
Trade and other payables	12	(36)	(16)
		(36)	(16)
Total liabilities		(2,591)	(2,519)
Net assets		18,385	10,944
Equity			
Share capital	13	6,082	4,226
Share premium		50,967	42,153
Group reconstruction reserve		(2,943)	(2,943)
Accumulated losses		(35,721)	(32,492)
Total equity		18,385	10,944

Consolidated statement of changes in equity
for the year ended 30 June 2020

	Share capital £000	Share premium £000	Group reconstruction reserve £000	Accumulated losses £000	Total £000
Balance at 1 July 2018	**3,067**	**37,769**	**(2,943)**	**(21,012)**	**16,881**
Loss for the year and total comprehensive loss for the year	-	-	-	(12,288)	(12,288)
Equity settled share-based payment transactions	-	-	-	825	825
Issue of shares for cash	1,159	4,790	-	(17)	5,932
Costs charged against share premium	-	(406)	-	-	(406)
Total transactions with owners recorded directly in equity	1,159	4,384	-	808	6,351
Balance at 30 June 2019	**4,226**	**42,153**	**(2,943)**	**(32,492)**	**10,944**
Loss for the year and total comprehensive loss for the year	-	-	-	(4,072)	(4,072)
Equity settled share-based payment transactions	-	-	-	843	843
Issue of shares for cash	1,856	9,424	-	-	11,280
Costs charged against share premium	-	(610)	-	-	(610)
Total transactions with owners recorded directly in equity	1,856	8,814	-	843	11,513
Balance at 30 June 2020	**6,082**	**50,967**	**(2,943)**	**(35,721)**	**18,385**

Consolidated cash flow statement
for the year ended 30 June 2020

	Note	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Cash flows from operating activities			
Loss for the year		(4,072)	(12,288)
Adjustments for:			
Licensing income received as non-cash consideration		(1,041)	-
Fair value adjustment to investments		(627)	-
Depreciation and amortisation		25	22
Share-based payments		843	825
Net foreign exchange gain		(357)	(10)
Finance income	5	(114)	(130)
Taxation	6	(1,206)	(2,108)
Increase in inventories		(569)	(549)
Decrease in trade and other receivables		119	1,361
Increase / (decrease) in trade and other payables		70	(3,143)
Cash used in operations		(6,929)	(16,020)
Tax received	6	2,120	2,279
Net cash used in operating activities		(4,809)	(13,741)
Cash flows from investing activities			
Additions of property, plant and equipment		(7)	(25)
Capitalisation of research and development expenditure		(38)	(37)
Interest received		114	130
Net cash from investing activities		69	68
Cash flows from financing activities			
Net proceeds from issue of share capital		10,670	5,526
Net cash from financing activities		10,670	5,526
Net increase / (decrease) in cash and cash equivalents		5,930	(8,147)
Cash and cash equivalents at the start of the year		9,147	17,284
Effect of exchange rate changes on cash and cash equivalents		357	10
Cash and cash equivalents at the end of the year		15,434	9,147

Notes to the consolidated financial statements

1 Corporate information

Diurnal Group plc (the “Company” or the “parent”) is a public limited company incorporated and domiciled in the United Kingdom and registered in England (registered number: 09846650), whose shares are publicly traded. The registered office is located at Cardiff Medicentre, Heath Park, Cardiff CF14 4UJ.

The Group is a specialty pharmaceutical business targeting patient needs in chronic endocrine (hormonal) diseases.

2. Basis of preparation

The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 June 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their report for 2020 was unqualified. The auditors’ report for 2019 was also unqualified and included a material uncertainty relating to the going concern paragraph which drew attention to a note in those financial statements.

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRS IC interpretations and the Companies Act 2006. The financial information contained in these financial statements has been prepared under the historical cost convention, and on a going concern basis.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

- IFRS 9 Financial Instruments – Amendments regarding prepayment features with negative compensation and modifications of financial liabilities;
- IFRS 16 Leases;
- IAS 19 Employee Benefits – Amendments regarding plan amendments, curtailments or settlements;
- IAS 28 Investments in Associates and Joint Ventures – Amendments regarding long-term interests in associates and joint ventures; and
- Annual Improvements 2015–2017 cycle.

All amendments listed above did not have any impact on the amounts recognised in prior periods, did not affect the current period and are not expected to significantly affect future periods. All other accounting policies used in the financial information are consistent with those used in the prior year. At the date of these financial statements there were no standards and interpretations in issue but not yet implemented.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. There are no standards that are not yet effective and that would be expected to have a material impact on the current or future reporting periods and on foreseeable future transactions.

The preparation of financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

3. Going concern

For the year ended 30 June 2020, the Group made an operating loss of £5.4m on revenue of £6.3m and used net cash in operating activities of £4.8m. Cash and cash equivalents at 30 June 2020 were £15.4m.

The Board has considered the applicability of the going concern basis in the preparation of the financial statements. Based on the Directors' current forecasts and plans (including modelling of a number of scenarios reflecting potential outcomes of the Group's ongoing regulatory reviews for Alkindi® and Chronocort®), and considering the cash and cash equivalents at 30 June 2020 of £15.4 million (which reflects the £11.2 million fundraising and $3.5 million upfront payment from the Alkindi® US licensing deal, both completed in March 2020), the Group and Company have sufficient funding for the foreseeable future and at least one year from the date of approval of the financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

4. Segmental information

The Board regularly reviews the Group's performance and balance sheet position for its operations and receives financial information for the Group in order to assess performance and make strategic decisions about the allocation of resources. The Group previously presented financial information based upon the following segmentation:

- Alkindi® - development and supply of the Group's Alkindi® product
- Chronocort® - development of the Group's Chronocort® product
- central and early-stage – all other activities, including development of the Group's early-stage pipeline products

In light of the common supply chain, commercial infrastructure and prescribing audience, the Group now considers its business to operate in a single segment, namely the development and supply of novel therapeutic agents for the treatment of chronic endocrine disorders. This is in line with reporting to senior management and the information used is the same as that disclosed in the financial statements.

An analysis of revenue by type is set out in the table below:

	Year ended 30 June 2020 £000	**Year ended 30 June 2019 £000**
Sale of goods	2,390	1,044
Licence fees	3,923	-
	6,313	1,044

Licence fees comprise the upfront payment received from Eton Pharmaceuticals as part of the licensing agreement signed in March 2020. Under the agreement, Eton obtained the exclusive right to use the intellectual property of Alkindi® in the US. The upfront payment comprised $3,500k (£2,882k) in cash and a notional amount of $1,500k in Eton shares, satisfied through the issue of 379,474 shares in Eton, based upon a trailing average price prior to execution of the agreement. The Eton shares were recorded at $1,263k (£1,041k) based on Eton's closing share price at the date of completion of the licensing agreement.

In addition to the upfront payment the Group is entitled to received further amounts that become payable on subsequent completion of future milestones as well as royalties based on future sales.

The Group has concluded that there are two distinct performance obligations under the licensing agreement: firstly, the license and secondly the manufacture and supply of Alkinidi®, since Eton is able to benefit from the license without having Diurnal supply and manufacture the product.

The agreement contains four elements of consideration, namely:

- upfront payment recorded in the financial statements at $4,763k (fixed) (notional amount: $5,000k, as noted above);
- milestone payments;
- sales-based royalty payments; and
- recharges of direct costs for the manufacture of Alkindi® stock.

The Group has determined that the licence agreement with Eton represents a “right-of-use” licence due to the fact that Alkindi® is an established marketed product in Europe and there are no ongoing activities that significantly affect its intellectual property in the US. The Group has determined that the recharges of direct costs for the manufacture and supply of Alkindi® stock reflects the stand-alone selling price of Alkindi® in the agreement such that the remaining consideration is attributable to the license. As such, the upfront payment has been fully recognised as revenue during the year.

Milestone and royalty payments are linked to specific sales-based activities and will be recognised when the underlying sales occur since neither is associated with any future performance obligations. Recharges of direct costs will be recognised on the collection of stock by Eton. During the year no revenue was recognised in respect of milestone payments, royalty payments or recharges.

An analysis of revenue by country of destination is set out below:

	Year ended 30 June 2020 £000	**Year ended 30 June 2019 £000**
UK	900	300
Rest of Europe	1,490	744
USA	3,923	-
	6,313	1,044

5. Finance income

	Year ended 30 June 2020 £000	**Year ended 30 June 2019 £000**
Interest receivable on cash and cash equivalents	114	130
Total finance income	114	130

6. Taxation

The Group is entitled to claim tax credits in the United Kingdom under the UK 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 HMRC.

The Group has reflected R&D tax credits on an accruals basis since establishing a track record of agreeing claims with HMRC. Consequently, the income statement for the year ended 30 June 2019 reflects the R&D tax credit claim for the year ended 30 June 2019, which was received from HMRC in March 2020. The amount in respect of the year ended 30 June 2020 has not yet been agreed with HMRC, although there is no reason to believe that this claim will be rejected.

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Current tax:		
- UK corporation tax on losses of year	-	-
- Dutch corporation tax on subsidiary profits for the year	2	-
- Research and development tax credit receivable for the current year	(1,194)	(2,105)
- Prior year adjustment in respect of research and development tax credit	(14)	(3)
Deferred tax:		
- Origination and reversal of temporary differences	-	-
Tax on loss on ordinary activities	(1,206)	(2,108)

Reconciliation of total tax expense

The tax assessed for the year varies from the small company rate of corporation tax as explained below:

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Loss on ordinary activities before tax	(5,278)	(14,396)
Tax at the standard rate of UK corporation tax rate of 19% (2019: 19%)	(1,003)	(2,735)
Effects of:		
Expenses not deductible for tax purposes	96	36
Depreciation in excess of capital allowances	3	(2)
Enhanced research and development relief	(521)	(906)
Share-based payments	61	134
Prior year adjustment in respect of research and development tax credit	(14)	(3)
Tax losses carried forward	172	1,369
Total tax credits for the year	(1,206)	(2,108)

The standard rate of UK corporation tax has been 19% from 1 April 2017.

7. Loss per share

	Year ended 30 June 2020	Year ended 30 June 2019
Loss for the year (£000)	(4,072)	(12,288)
Weighted average number of shares (000)	95,228	62,390
Basic and diluted loss per share (pence per share)	(4.3)	(19.7)

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

8. Investments held at fair value through profit and loss

	2020 £000	2019 £000
Balance at 1 July	-	-
Additions	1,041	-
Fair value adjustment to investments	627	-
Balance at 30 June	1,668	-

Additions to investments solely relate to the 379,474 shares held in Eton Pharmaceuticals that were received as part of the upfront consideration for the exclusive licence agreement of Alkindi® Sprinkle in the US. The shares in Eton are treated as a level 1 financial investment in the IFRS 13 fair value hierarchy as the shares are traded in an active market and therefore the value is based on quoted market prices.

The fair value adjustment of these shares represents the entire amount charged to the income statement as 'other gains-net'.

9. Inventories

	2020 £000	2019 £000
Raw materials	192	-
Work in progress	733	521
Finished goods	316	151
	1,241	672

Inventories recognised as an expense during the year ended 30 June 2020 amounted to £651k (2019: £224k). These were included in cost of sales in the consolidated income statement.

Write-downs of inventories to net realisable value amounte to £17k (2019: £nil). These were recognised as an expense during the year ended 30 June 2020 and included in cost of sales in the consolidated income statement.

10. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	393	510
VAT recoverable	188	219
Prepayments	576	482
Other debtors	180	246
	1,337	1,457

The Directors consider that the carrying amount of trade and other receivables approximate to their recoverable amount. Trade and other current receivables were all payable within 90 days.

No interest is charged on outstanding receivables. All significant amounts outstanding at the reporting date have been received since the year end and therefore the provision for expected credit losses at 30 June 2020 is £nil (30 June 2019: £nil).

11. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and on hand	15,434	9,147

The Group holds its cash and cash equivalents with its clearing bank and in a segregated cash facility providing same day access to its cash. The Group's treasury policy requires that deposits are held with financial institutions having a minimum credit rating of A- (from Moody's S&P or Fitch), that individual counterparty exposure is no more than £5m and that the maximum term is 12 months. The Group's deposits are in line with this policy.

12. Trade and other payables

	2020 £000	2019 £000
Trade payables	807	1,145
Tax and social security	91	82
Accrued expenses	1,634	1,255
Other payables	59	37
	2,591	2,519

The Group accrues for employer National Insurance contributions that may become due on unexercised share-based payments that are not HMRC tax-advantaged. In the current year £36k (2019: £16k) of the accrued expenses has been classified as a non-current liability.

13. Share capital

	2020 Number	2020 £000	2019 Number	2019 £000
Ordinary shares of £0.05 each	121,633,387	6,082	84,528,382	4,226