Press release

Synairgen plc

('Synairgen' or the 'Company')

Interim results for the six months ended 30 June 2018

Southampton, UK – 25 September 2018: Synairgen plc (LSE: SNG), the respiratory drug discovery and development company, today announces its unaudited interim results for the six months ended 30 June 2018.

Highlights (including post period-end)

Operational

- In February 2018, Synairgen commenced dosing of its two-part Phase II clinical trial, named SG015, using its wholly-owned antiviral therapy SNG001 in patients with chronic obstructive pulmonary disease (COPD)

- In June 2018, safety data from the first part of the Phase II trial showed that SNG001 was safe and well tolerated, and consequently the second part of the trial could proceed

- Also in June 2018, positive biomarker data from the first part of the trial was announced, which showed that administration of SNG001 confirmed proof of mechanism by significantly increasing markers of antiviral activity

- Pharmaxis has reported that the LOXL2 inhibitor programme, in which Synairgen has a 17% share of any net fibrotic licensing revenues, is expected to generate Phase I clinical data in H2 this year and will be ready for out-licensing thereafter

Financial

- Research and development expenditure of £1.38 million (30 June 2017: £1.09 million) as the Company advanced its trial of inhaled interferon beta for COPD patients

- The loss from operations for the six months ended 30 June 2018 was £1.86 million (30 June 2017: £1.58 million loss)

- Cash and bank deposits of £5.31 million (30 June 2017: £3.08 million)

- Proposed fundraise announced to raise approximately £2.9 million – see separate press release issued today

Richard Marsden, CEO of Synairgen, commented: *"Synairgen has made good progress in the first half of 2018. We are pleased to see that the Phase II clinical trial assessing interferon beta in COPD has started well and we look forward to continuing with the second part of the trial later this year. Our efforts will also focus on a number of potentially interesting collaborative opportunities to further strengthen our pipeline of therapies."*

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Notes for Editors

About Synairgen

Synairgen is a respiratory drug discovery and development company founded by University of Southampton Professors Stephen Holgate, Donna Davies and Ratko Djukanovic. The business, focused primarily on asthma and COPD, uses its differentiating human biology BioBank platform and world-renowned international academic KOL network to discover and develop novel therapies for respiratory disease. Leveraging its scientific and clinical facilities at Southampton General Hospital, the Company uses *in vitro* and *ex vivo* models to progress opportunities into clinical development. The BioBank of human samples is used in these models to increase confidence in the likelihood of successful drug development.

Synairgen is currently running a two-part Phase II trial evaluating SNG001, the Company's wholly-owned inhaled interferon beta (IFN-beta) therapeutic candidate. The Phase II trial, called SG015, has been designed to assess the safety of SNG001 in COPD patients and its clinical benefit in these patients when they have a cold or flu infection, a major driver of COPD exacerbations.

Core to Synairgen's business strategy is the realisation of value via licensing transactions. In August 2015 the Company entered into a collaboration with Pharmaxis to develop an oral LOXL2 inhibitor to reduce fibrosis in patients with idiopathic pulmonary fibrosis (IPF). In December 2017 the collaboration agreement was amended as Pharmaxis took on full responsibility for the programme, with Synairgen receiving a £5 million upfront payment and circa 17% of any future net partnering proceeds from all fibrotic indications.

Synairgen is quoted on AIM (LSE: SNG). For more information about Synairgen, please see www.synairgen.com

Chairman's and Chief Executive Officer's Review

OPERATING REVIEW

Summary

Good progress has been made over the first six months of the year on two clinical stage programmes, in which we have an interest. The first of these is the IFN-beta programme, SNG001, which commenced a Phase II clinical trial in COPD patients. Part 1 of the trial generated good safety data and additionally demonstrated that SNG001 significantly elevates antiviral biomarkers in the lungs of COPD patients. The second programme, the Lysyl Oxidase Like 2 (LOXL2) inhibitor programme, in which we have a share of circa 17% of any net fibrotic licensing revenues, has thus far produced Phase I safety data and, importantly, evidence of inhibition of the LOXL2 enzyme, which sets the two compounds being developed by Pharmaxis apart from previous inhibitive therapies developed by the pharmaceutical industry in this area.

IFN-beta programme

IFN-beta is a naturally-occurring protein made and released by cells in the body in response to virus infections which triggers the body's antiviral defences. IFN-beta does not directly inhibit the virus's replication but stimulates the infected cells and those nearby to produce proteins (used as biomarkers in our clinical trials) that prevent the virus from replicating within them to limit the spread of the infection.

Cold and flu virus infections, when they spread from the nose to the lower respiratory tract (lungs) and cause greater inflammation, are major drivers of worsening symptoms (exacerbations) in lung diseases. Researchers have shown that cold and flu infections are more likely to spread to the lungs in patients with lung disease due to weakened antiviral defences caused by deficient production of IFN-beta.

Similar to giving insulin to correct a deficiency in diabetes, these findings provided the rationale for our inhaled IFN-beta programme. When patients start to get a cold or flu, they start taking treatment (SNG001, nebulised IFN-beta), which boosts the lungs' antiviral defences, preventing the spread of the infection into the lungs or to help the lungs fight off the infection *in situ*.

In February this year we commenced a Phase II trial in COPD, which is split into two parts. The first part assessed safety in 10 COPD patients in a stable state in the absence of a viral infection. In June we were pleased to announce that in these patients, whose lung function was approximately 60% of what it should be (for healthy people of the same age), inhaled IFN-beta was well tolerated, enabling progression to the second part of the trial.

It was also crucial for us to demonstrate that inhaled IFN-beta would trigger an enhanced antiviral response, measured through biomarkers. This we successfully achieved (also announced in June): we saw a statistically significant uplift in the IFN-beta antiviral markers MX1 and OAS1 ($p=0.0001$) in cells extracted from sputum 24 hours after a dose of inhaled IFN-beta was delivered. Several other biomarkers of interest were also upregulated. Whilst these biomarkers have always been activated in our asthma trials, it was not a forgone conclusion that we would be able to boost antiviral defences in these older patients with COPD, whose lungs have been exposed to many years of cigarette smoke.

We have seen a similar uplift in the same biomarkers in asthma and these changes aligned with the clinical benefits in lung function and symptoms in asthma in previous trials of SNG001. This gives us confidence that clinical effects of SNG001 will be evident in patients with a more severe condition of COPD.

The risk of an exacerbation following cold or flu is higher in COPD than asthma

Clinical trials reported in 2017 (INEXAS and Aviragen's study of vapendavir) have shown that the chance that a patient will exacerbate when they get a cold is relatively low in asthma (less than 10%[1]). The exacerbation rate is considerably higher in COPD (approximately 50%[2]) and the impact of this can be seen in the seasonal increase in hospital admissions in the winter months, with COPD being the second most common cause of unplanned hospitalisation in England.[3] Furthermore, COPD exacerbations are expensive to treat and patients hospitalised due to COPD exacerbations have a poorer prognosis for survival.

New diagnostic test opens up COPD opportunity
Up until recently, progression of a broad-spectrum antiviral in COPD was considered to be too challenging. This is because COPD exacerbations can be caused by bacteria, viruses or other factors and treatment of all exacerbating patients with an antiviral would have led to unnecessary treatment of patients who are not infected with a virus, which is not only inefficient, but also makes it very difficult to analyse trial results. Identifying patients with a virus infection for treatment with an antiviral is therefore essential for both clinical trials and, ultimately, the administration of effective therapy. In 2017 bioMérieux launched a new technology which enabled simple and rapid (45 minutes) testing of a nose or throat swab sample for a panel of common respiratory viruses. The advent of this test opens up the COPD opportunity, allowing us to treat patients only if they have a confirmed viral infection.

Clinical effects of inhaled IFN-beta in asthma
Inhaled IFN-beta has been effective at accelerating a recovery of virus-induced losses in lung function in two Phase II asthma trials (one conducted by Synairgen and one conducted by AstraZeneca). Symptoms also improved in the most difficult to treat patients in both of these trials. However, the exacerbation rate was found to be too low in asthma: this meant that despite providing clinical benefit, it was unlikely that payors (such as the NHS and insurance companies) would see the health economic savings necessary to support drug pricing. Overall, COPD patients are 5 times more likely to exacerbate than asthma patients when they get a cold, which supports our move into COPD.

Further to the proposed fundraise (see separate press release issued today), we intend to extend the second part of the Phase II trial and dose up to 120 COPD patients, commencing in the 2018/2019 winter cold virus season. The emphasis of this exploratory trial is to assess the effects of inhaled IFN-beta on COPD symptoms as well as biomarker activation, lung function changes, and exacerbation incidence/severity during naturally-acquired colds. These data will be necessary both for licensing discussions and to inform the design of follow-on trials.

LOXL2 inhibitor programme
For two years (2015 to 2017) we collaborated with Pharmaxis to develop oral LOXL2 inhibitors. We used our resources and models of pulmonary fibrosis to help select compounds for progression into the clinic. In December 2017 we renegotiated our rights in the programme to enable Pharmaxis to progress the compounds towards liver diseases such as NASH. In return we received a payment of £5 million from Pharmaxis and will receive circa 17% of the net licence revenues received by Pharmaxis for fibrotic indications.

We used *in vitro* models of idiopathic pulmonary fibrosis (IPF) to characterise compounds and underpin the rationale for progressing into the clinic. The data generated has been published (Jones *et al. eLife* 2018;7:e36354) and it has stimulated considerable interest from pharmaceutical companies in the programme. We led clinical development of one of the compounds into Phase I prior to Pharmaxis assuming all development responsibilities.

Pharmaxis have continued development of the compounds and are currently conducting Phase I multiple ascending dose trials of two compounds. In their quarterly update dated 27 July 2018[4] Pharmaxis stated that "This is still early days but both drugs so far have good safety profiles, behave in a predictable fashion as the dose is increased and most significantly we have managed to measure their impact on the target LOXL2 enzyme in human serum. Both compounds achieved a significant and long lasting inhibition which positions them as best in class drugs." Pharmaxis has also stated that it has seen an increase in the number of companies wanting to know more about the programme and that according to the Pharmaxis website[4] "Partnering these drugs in a global deal with a large Pharma company is the number one objective for the Pharmaxis team in the second half of the year".

New Opportunities
We have assessed a number of new respiratory opportunities over the past six months. We continue to assess such opportunities, whereby we can deploy our expertise and models to de-risk and progress programmes towards the clinic and onward licensing.

FINANCIAL REVIEW

With effect from 1 January 2018, the Group has adopted IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers). The adoption of both standards has had no financial impact on either the current or comparative periods. Please refer to Note 1 for further details.

Statement of Comprehensive Income
The loss from operations for the six months ended 30 June 2018 was £1.86 million (six months ended 30 June 2017: £1.58 million loss, year ended 31 December 2017: £1.62 million profit). Research and development expenditure increased from £1.09 million in the six months ended 30 June 2017 to £1.38 million for the six months ended 30 June 2018 as the Company advanced the Phase II study in COPD. The prior period project expenditure was primarily on the LOXL2 collaboration with Pharmaxis (prior to the renegotiation with Pharmaxis in December 2017, as a result of which Pharmaxis paid Synairgen £5 million and assumed all future financial responsibility). Other administrative costs for the period of £0.51 million were in line with the comparative period (six months ended 30 June 2017: £0.51 million).

The research and development tax credit increased from £0.31 million to £0.33 million. The 2017 credit of £0.31 million comprised a current period credit of £0.25 million and a prior period adjustment of £0.06 million. The increase from £0.25 million to £0.33 million is explained by the increased R&D expenditure.

The loss after tax for the period was £1.52 million (six months ended 30 June 2017: £1.26 million loss) and the basic loss per share was 1.66p (six months ended 30 June 2017: loss of 1.38p).

Statement of Financial Position and cash flows
At 30 June 2018, net assets amounted to £5.09 million (30 June 2017: £3.48 million, 31 December 2017: £6.56 million), including net funds (comprising cash balances and bank deposits) of £5.31 million (30 June 2017: £3.08 million, 31 December 2017: £6.85 million).

The principal elements of the £1.54 million decrease in net funds over the six months ended 30 June 2018 (six months ended 30 June 2017: £1.68 million decrease, year ended 31 December 2017: £2.08 million increase) were:

- Cash used in operations of £1.55 million (six months ended 30 June 2017: £1.69 million outflow; year ended 31 December 2017: £1.45 million inflow); and

- Research and development tax credits received of £nil (six months ended 30 June 2017: £nil; year ended 31 December 2017: £0.62 million).

Going concern
The directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the next twelve months, given its stage of development and lack of recurring revenues. In preparing these financial forecasts, the directors have made certain assumptions with regards to the timing and amount of future expenditure over which they have control. The directors have attempted to take a balanced and prudent view in preparing these forecasts, recognising the inherent variability in costs of the planned clinical trial.

Based on available cash and liquid resources and current levels of committed forecast expenditure, at the date of this report, the directors consider that the Group has adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least twelve months from the date of this report), and for this reason the interim financial information has been prepared on a going concern basis.

Post period-end fundraising
The Company announced today that it proposed to raise approximately £2.9 million. The proceeds will, *inter alia*, enable Synairgen to enlarge the second part of its Phase II trial to dose up to 120 patients.

CORPORATE GOVERNANCE

The Company is working to meet the London Stock Exchange's requirement that all AIM companies must report on their application of a recognised corporate governance code with effect from 28 September 2018. The Company intends to adopt the QCA Corporate Governance Code and Synairgen will implement the new requirements of AIM Rule 26 by the end of September.

OUTLOOK

The second part of the IFN-beta trial in COPD is on track to start in Q4 of this year with results anticipated in H2 2019. The potential for a broad-spectrum antiviral in COPD is substantial and expected to be highly attractive to the industry. Pharmaxis has reported that the LOXL2 inhibitor programme is expected to generate Phase I clinical data in H2 this year and be ready for out-licensing thereafter.

Simon Shaw — Chairman
Richard Marsden — Chief Executive Officer

25 September 2018

References:
1. (i) https://www.atsjournals.org/doi/abs/10.1164/ajrccm-conference.2018.197.1_MeetingAbstracts.A6165 Accessed 21 September 2018
(ii) Aviragen Therapeutics presentation Directing Next Generation Direct-Acting Antivirals May 2017
2. Johnston NW, *et al*. Colds as predictors of the onset and severity of COPD exacerbations. *International Journal of COPD* 2017: 12 839-848
3. Department of Health. An Outcomes Strategy for Chronic Obstructive Pulmonary Disease (COPD) and Asthma in England. Published July 2011
4. http://www.pharmaxis.com.au/investor-centre/news/view/shareholder-update-june-2018. Accessed 21 September 2018

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June 2018 £000	Unaudited Six months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Revenue		**26**	25	5,025
Research and development expenditure		**(1,384)**	(1,092)	(2,061)
Other administrative expenses		**(506)**	(509)	(1,349)
Total administrative expenses		**(1,890)**	(1,601)	(3,410)
(Loss)/Profit from operations		**(1,864)**	(1,576)	1,615
Finance income		**18**	8	14
(Loss)/Profit before tax		**(1,846)**	(1,568)	1,629
Tax credit	2	**329**	308	132
(Loss)/Profit and total comprehensive (loss)/income for the period attributable to equity holders of the parent		**(1,517)**	(1,260)	1,761
(Loss)/Earnings per ordinary share	3			
Basic (loss)/earnings per share (pence)		**(1.66)p**	(1.38)p	1.93p
Diluted (loss)/earnings per share (pence)		**(1.66)p**	(1.38)p	1.87p

Consolidated Statement of Changes in Equity (unaudited)
for the six months ended 30 June 2018

	Share capital £000	Share premium £000	Merger reserve £000	Retained Deficit £000	Total £000
At 1 January 2017	914	25,771	483	(22,483)	4,685
Total comprehensive loss for the period	-	-	-	(1,260)	(1,260)
Recognition of share-based payments	-	-	-	59	59
At 30 June 2017	914	25,771	483	(23,684)	3,484
Total comprehensive income for the period	-	-	-	3,021	3,021
Recognition of share-based payments	-	-	-	54	54
At 31 December 2017	914	25,771	483	(20,609)	6,559
Total comprehensive loss for the period	-	-	-	(1,517)	(1,517)
Recognition of share-based payments	-	-	-	45	45
At 30 June 2018	**914**	**25,771**	**483**	**(22,081)**	**5,087**

Consolidated Statement of Financial Position
as at 30 June 2018

	Notes	Unaudited 30 June 2018 £000	Unaudited 30 June 2017 £000	Audited 31 December 2017 £000
Assets				
Non-current assets				
Intangible assets		**37**	53	45
Property, plant and equipment		**15**	10	12
		52	63	57
Current assets				
Inventories		**56**	56	56
Current tax receivable		**400**	868	71
Trade and other receivables		**199**	66	633
Other financial assets – bank deposits	4	**1,250**	267	2,000
Cash and cash equivalents		**4,056**	2,817	4,845
		5,961	4,074	7,605
Total assets		**6,013**	4,137	7,662
Liabilities				
Current liabilities				
Trade and other payables		**(926)**	(653)	(1,103)
Total liabilities		**(926)**	(653)	(1,103)
Total net assets		**5,087**	3,484	6,559
Equity				
Capital and reserves attributable to equity holders of the parent				
Share capital		**914**	914	914
Share premium		**25,771**	25,771	25,771
Merger reserve		**483**	483	483
Retained deficit		**(22,081)**	(23,684)	(20,609)
Total equity		**5,087**	3,484	6,559

Consolidated Statement of Cash Flows
for the six months ended 30 June 2018

	Unaudited Six months ended 30 June 2018 £000	Unaudited Six months ended 30 June 2017 £000	Audited Year ended 31 December 2017 £000
Cash flows from operating activities			
(Loss)/Profit before tax	**(1,846)**	(1,568)	1,629
Adjustments for:			
Finance income	**(18)**	(8)	(14)
Depreciation	**3**	4	7
Amortisation	**8**	9	17
Share-based payment charge	**45**	59	113
Cash flows from operations before changes in working capital	**(1,808)**	(1,504)	1,752
Increase in inventories	**-**	(1)	(1)
Decrease/(Increase) in trade and other receivables	**440**	20	(548)
(Decrease)/Increase in trade and other payables	**(177)**	(207)	243
Cash (used in)/generated from operations	**(1,545)**	(1,692)	1,446
Tax credit received	**-**	-	621
Net cash (used in)/generated from operating activities	**(1,545)**	(1,692)	2,067
Cash flows from investing activities			
Interest received	**12**	12	19
Purchase of property, plant and equipment	**(6)**	(1)	(6)
Decrease/(Increase) in other financial assets	**750**	1,394	(339)
Net cash generated from/(used in) investing activities	**756**	1,405	(326)
(Decrease)/Increase in cash and cash equivalents	**(789)**	(287)	1,741
Cash and cash equivalents at beginning of period	**4,845**	3,104	3,104
Cash and cash equivalents at end of period	**4,056**	2,817	4,845

Notes to the Interim Financial Information
for the six months ended 30 June 2018

1. Basis of preparation

Basis of accounting
The interim financial information, which is unaudited, has been prepared on the basis of the accounting policies expected to apply for the financial year to 31 December 2018 and in accordance with recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union. With the exception of the adoption of IFRS 9 and IFRS 15, further detail on which is given below, the accounting policies applied in the preparation of this interim financial information are consistent with those used in the financial statements for the year ended 31 December 2017 and with those that the Company expects to apply in its financial statements for the year ending 31 December 2018.

The interim financial information does not include all of the information required for full annual financial statements and does not comply with all the disclosures in IAS 34 'Interim Financial Reporting'. Accordingly, whilst the interim financial information has been prepared in accordance with IFRSs, it cannot be construed as being in full compliance with IFRSs.

Adoption of new standards
IFRS 9
The Group adopted IFRS 9 Financial Instruments, which addresses the classification, measurement and derecognition of financial assets and financial liabilities, on 1 January 2018, again considering the cumulative impact at this date in assessing whether an adjustment to opening reserves is required. This standard also had no financial impact on either the current or comparative periods.

IFRS 15
IFRS 15 Revenue from Contracts with Customers has replaced IAS 18 effective for accounting periods beginning on or after 1 January 2018.

The Group has performed an IFRS 15 impact assessment, taking advantage of the practical expedient not to apply IFRS 15 to any contracts completed at 1 January 2018, and has transitioned to the new standard through means of a consideration of the cumulative impact as at 1 January 2018. If IFRS 15 had been applied in the financial statements for the year ended 31 December 2017 and the six month period to 30 June 2017, the directors do not consider that there would have been any change to revenue recognised on the basis that all substantive performance obligations were satisfied prior to the relevant reporting dates.

There is no change in the Group's policy for recognising services revenue. The recognition policy for any future revenues which may arise from collaboration or licensing agreements will be considered when they arise.

Financial information
The financial information for the year ended 31 December 2017 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for the year ended 31 December 2017 have been filed with the Registrar of Companies. The Independent Auditor's Report on the Annual Report and Financial Statements for the year ended 31 December 2017 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Going Concern
The directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the next twelve months, given its stage of development and lack of recurring revenues. In preparing these financial forecasts, the directors have made certain assumptions with regards to the timing and amount of future expenditure over which they have control. The directors have attempted to take a balanced and prudent view in preparing these forecasts, recognising there is inherent variability in the costs of the planned clinical trial.

1. Basis of preparation (continued)

Based on available cash and liquid resources and current levels of committed forecast expenditure at the date of this report, the directors consider that the Group has adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least twelve months from the date of this report), and for this reason the interim financial information has been prepared on a going concern basis.

Post period-end fundraising
The Company announced today that it proposed to raise approximately £2.9 million. The proceeds will, inter alia, enable Synairgen to enlarge the second part of its Phase II trial to dose up to 120 patients.

Approval of financial information
The 30 June 2018 interim financial information was approved by a duly appointed and authorised committee of the Board of Directors on 25 September 2018.

2. Tax credit

The tax credit of £329,000 (six months ended 30 June 2017: £308,000; year ended 31 December 2017: £132,000) is an estimate of the research and development tax credit receivable in respect of the current period.

3. (Loss)/Earnings per ordinary share

Basis (loss)/earnings per share ('LPS' or 'EPS') is calculated by dividing the (loss)/profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

For diluted earnings per share, the weighted number of ordinary shares in issue is adjusted to assume conversion of the dilutive potential ordinary shares, being share options where the exercise price is less than the average market price of the Company's ordinary shares during the period and where performance conditions have been met or, in the case of options where the performance period is not completed, are being met.

Where there is a loss (as for the six months ended 30 June 2018 and 30 June 2017), the loss attributable to shareholders and the weighted average number of ordinary shares for the purposes of calculating the diluted loss per ordinary share are identical to those used for basic loss per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore antidilutive under the terms of IAS33. The losses/earnings and number of weighted average number of shares used in the calculations are as follows:

	Unaudited Six months ended 30 June 2018			Unaudited Six months ended 30 June 2017			Audited Year ended 31 December 2017		
	Losses £000	Shares 000	LPS pence	Losses £000	Shares 000	LPS pence	Earnings £000	Shares 000	EPS pence
Basic (loss)/earnings per share	(1,517)	91,399	(1.66)	(1,260)	91,363	(1.38)	1,761	91,363	1.93
Effect of additional shares under option	-	-	-	-	-	-	-	2,873	(0.06)
Diluted (loss)/earnings per share	(1,517)	91,399	(1.66)	(1,260)	91,363	(1.38)	1,761	94,236	1.87

4. Other financial assets

Other financial assets comprise Sterling fixed rate bank deposits of greater than three months' maturity at the time of deposit.

INDEPENDENT REVIEW REPORT TO SYNAIRGEN PLC

Introduction

We have been engaged by the company to review the interim set of financial information in the half-yearly financial report for the six months ended 30 June 2018 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes 1 to 4.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim set of financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the interim set of financial information in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim set of financial information in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Chartered Accountants and Registered Auditors
Reading
United Kingdom

25 September 2018