Shield Therapeutics plc

("Shield" or the "Company" or the "Group")

Preliminary Results for the Year Ended 31 December 2016

London, UK, 4 April 2017. Shield Therapeutics plc (LSE:STX), a specialty pharmaceutical Company focused on secondary care, today announces its preliminary Group results for the year ended 31 December 2016.

Highlights (including post period-end)

Operational

- Marketing authorisation achieved across the EU for Feraccru with first sales recorded in the UK and Germany
- Feraccru achieved attractive price points in the UK and Germany
- Approximately 20 customer-facing members of the team now interacting daily with customers in the UK and Germany, with our sales teams expanding further through 2017
- First commercial product shipments completed to our Central & East European commercialisation partner, AOP Orphan Pharmaceuticals
- New Composition of Matter patent granted for Feraccru, extending the protection to mid-2030s
- AEGIS-H2H and AEGIS-CKD Phase 3 studies progressing well with data anticipated towards the end of 2017 and positive data expected to facilitate broader commercialisation in Europe and NDA filing in the USA
- Positive discussions with further licensing partners for Feraccru in non-core markets
- PT20 and PT40 activities on-going

Financial

- Successful completion of an initial public offering (IPO) on AIM of the London Stock Exchange in February 2016, raising £32.5 million (gross) and further potential gross proceeds of £17.5 million, subject to Warrants exercise
- First commercial revenues of £304,000 recorded, representing initial supplies of Feraccru into the distribution channel
- Net loss for FY2016 of £15.0 million (2015: £23.6 million) on IFRS basis; EPS loss of £0.15 per share (2015: £0.57)
- Adjusted net loss for FY2016, excluding the impact of exceptional items, of £9.4 million (2015: £5.3 million); EPS loss of £0.09 (2015: £0.13)
- Year-end net cash of £21.0 million (2015: £0.7 million)

Corporate

- Joanne Estell will join the Group as Chief Financial Officer and Board member on 1 May 2017 – see separate announcement issued today

Commenting on the preliminary results, Carl Sterritt, Chief Executive Officer of Shield Therapeutics plc, said: *"2016 was a transformational year for Shield as we became a listed and increasingly commercially focused organisation. Shield is now actively generating revenue from its lead product, Feraccru, and, across its pipeline, has the opportunity to create operational leverage and access large markets with significant unmet medical needs. With the competencies added through 2016, Shield is now well positioned to continue on our path to becoming a profitable international specialty pharmaceutical company and the management team and Board have great confidence and ambitions for the future."*

Webcast and conference call for analysts

A briefing for analysts will be held at 9.30am BST on 4 April 2017 in the Guildhall Room at 85 Gresham Street, London EC2V 7NQ. There will be a simultaneous webcast and live conference call with Q&A and the presentation and access to the webcast will be on Shield's website at www.shieldtherapeutics.com.

Dial in details:

Participant local dial-in:	+44(0)20 3427 1909
Participant free phone dial-in:	0800 279 5736
Participant code:	3378780

An audio replay file will be made available shortly afterwards via the Company website:
www.shieldtherapeutics.com

– Ends –

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About Shield Therapeutics plc

Shield Therapeutics is a specialty pharmaceutical company focused on the commercialisation and development of late-stage, hospital-focused pharmaceuticals which address areas of unmet medical need. Our clear purpose is to help our patients become people again, by enabling them to enjoy the things that make the difference in their everyday lives. The Group has a marketed product, Feraccru®, for the treatment of iron deficiency anaemia (IDA) in adult patients with inflammatory bowel disease (IBD) which has exclusive IP rights until the mid-2030's. In addition, the Group is developing PT20, a late-stage pharmaceutical for the treatment of systemic phosphate accumulation (hyperphosphatemia). Shield Therapeutics, headquartered in London, is listed on LSE's AIM under the ticker STX. For more information please visit www.shieldtherapeutics.com.

Note

This announcement contains inside information for the purposes of the Market Abuse Regulation.

Chairman's statement

Overview

This has been a year of remarkable progress for Shield as we transitioned into a fully-fledged, commercially-focused, specialty pharmaceutical company. Utilising the proceeds raised at the time of the IPO in February 2016, the Company has continued to grow, quadrupling its total number of staff from less than fifteen at the start of the year to more than sixty dedicated professionals today. There are now approximately twenty Shield Therapeutics representatives interacting on a daily basis with customers in the UK and Germany. With Feraccru now commercially available, we are seeing revenues from the sales of Feraccru only six years since the Company commenced its development.

Our initial focus remains on Feraccru, the success of which is the yardstick by which we expect to be measured over time, but we are also very excited by the opportunities ahead. With access to the capital markets, along with the potential for an additional £17.5 million of equity-backed working capital through IPO-related Warrants, we have been able to build the core of our sales and marketing team. It is encouraging to see that our efforts are enabling more patients to benefit from Feraccru day-by-day, such that we are planning to increase the number of customer-facing staff in both markets through 2017, together with market launch preparation activities in other major European markets including Spain, France and Italy.

The market environment

Looking more broadly at the current market environment, we continue to see political interest in both Europe and the US regarding drug pricing, resulting from patient, prescriber and payor pressure. Success in today's market requires an evidence-based proposition where value is key and several trends appear to be reshaping the marketplace[1]. These include:

- An ageing population, with an increase in chronic disease, placing even greater pressure on stretched healthcare budgets;
- Increasing demands from payors for real-life data from studies measuring the pharmaco-economic performance of a therapy through the use of electronic medical records, providing data to support outcomes-based pricing; and
- Mandatory treatment guidelines, which constrain an individual physician's choice of treatment.

Our assets

Our lead product, Feraccru, is ideally positioned to benefit from these market dynamics and evolving treatment pathways. Feraccru can remove cost from the healthcare system by preventing the requirement of intravenous iron therapies for patients who are intolerant of oral ferrous products. Fewer patients requiring intravenous therapy can in turn reduce the administrative, financial and patient inconvenience, in addition to the burdens that accompany such treatments. Together, these attributes make Feraccru an attractive asset in today's ever changing and increasingly value-based market.

With our attention now resolutely placed on delivering success over the course of 2017 and beyond, our focus for Feraccru is on increasing market penetration within the initial IBD-specific indication, as well as label and geographic expansion that will come via data from our two Phase 3 studies ongoing in Europe

[1] Source: PwC Pharma 2020 series

and the US.

The development of PT20, our novel Phase 3 ready pharmaceutical for hyperphosphatemia, remains a priority as we work to broaden our sales offering, so we can leverage our sales and marketing capacity to increase efficiencies in these activities. We continue to actively consider value-enhancing opportunities - including in-licensing and/or M&A - in order to extract maximum value from our increasing investment in sales and marketing.

Governance

Alongside the Chair, two independent Non-Executive Directors were appointed upon admission to AIM. Both James Karis and Peter Llewellyn-Davies have significant experience from executive and non-executive roles in the healthcare sector. As with all public companies, our commitment to the principles of good corporate governance has led to the implementation of a series of checks and balances to establish and maintain high standards through our transition from a privately-held to a publicly owned entity. Risk management remains a focus of attention and we recognise that our greatest single risk at this point on our journey is the execution of our commercial strategy.

People

I would like to thank our staff and welcome those new members, who I know will have a highly rewarding future at Shield. I am also delighted that we have appointed Joanne Estell to the Board and as Chief Financial Officer and I look forward to welcoming joining the team. Joanne is a high calibre individual and we look forward to benefitting from her wealth of financial experience. I would also like to thank our former CFO, Richard Jones, who left Shield in January 2017, for his contribution to the Company.

Finally, I will take this opportunity to extend a warm welcome to all of Shield Therapeutics' shareholders who have joined the Company's register during and after the IPO and on behalf of the Company I would like to thank all of our investors for their confidence in the organisation - your support makes me very proud to represent your interests as Chair.

Yours faithfully,

Andrew Heath
Chairman, Shield Therapeutics plc

Chief Executive Officer's Statement and Financial Review

Introduction

Set in motion in February by two key, simultaneous events of (1) a successful IPO, which generated gross proceeds of £32.5 million of additional working capital and (2) receipt of a European Marketing Authorisation for our lead prescription product, Feraccru, Shield Therapeutics' transition from being a "virtual" company to an integrated, commercially focused, ethical prescription pharmaceuticals business is ongoing with significant growth across our central and in-country commercial operations throughout 2016.

Feraccru: Early commercial progress in the UK and Germany

Having achieved attractive pricing in the UK and Germany in H2 2016, Shield Therapeutics' direct commercialisation plans for Feraccru are progressing well and, through the second half of 2016, after some initial challenges in gaining formulary access, in the UK we saw increasing prescription demand for Feraccru in England and Germany, which has continued into the first quarter of 2017. The Board remains positive about the broader commercial opportunity for Feraccru and the sound basis this will provide for the long-term success of the Group.

UK

In the UK, Feraccru became available to the National Health Service in England during Q2 2016. Our initial focus has been on achieving the required formulary access with hospitals and clinical commissioning groups (CCGs) that enables prescriber demand. As previously announced, we experienced process-related inertia from hospital formularies and budget-holding CCGs through the summer months and into autumn which led to an initial delay in physicians being able to prescribe Feraccru whilst they waited for reimbursement to be confirmed. We focused our first wave of pricing and reimbursement (P&R) activities on achieving successful access at key prescriber locations within the approximately 190 NHS trusts in England.

Reimbursement submissions have now been made to formularies that account for approximately 35% of the patient opportunity with more than 95% of decisions being positive. Given progress made in the latter part of 2016 and into 2017, we remain on target to make Feraccru available to approximately 60% of the prescriber and patient communities in England by the end of 2017. We expect these activities will receive an additional boost - enhancing our commercialisation progress - once we have further supportive efficacy and pharmaco-economic data from the AEGIS-H2H and AEGIS-CKD Phase 3 studies towards the end of 2017.

Increasing UK formulary access

Encouragingly, our experience in a number of formulary areas where we achieved early approvals has been positive as in these hospitals we have seen good initial uptake, followed by increasing volume of Feraccru usage, suggesting repeat prescribing and increasing penetration. Furthermore, we have improved the status of Feraccru's formulary access in some key areas from "red" (hospital only prescribing and use) to "amber" (hospital initiation, GP continuation) through to "green" (GP prescribing) which, in combination with new formulary access in England, has seen the number of ordering centres growing month on month to almost 50 currently.

Sales growth in Germany

In Germany, where the reimbursement environment and processes are fundamentally different to the UK, our sales team is able to be more focused on conversion of physician interest into prescription sales. Here, Feraccru also benefits from significantly more pre-launch awareness as we had more hospitals in Germany actively involved in our key pre-approval clinical trials. Together these elements, combined with the benefits Feraccru provides to patients, prescribers and payors, have led to continued good progress in terms of uptake in Q1 2017, following the previously reported positive start we experienced in Q4 2016. This progress, as well as the positive German prescriber advocacy we are witnessing, further endorses Feraccru's strong clinical profile and highlights the importance of focusing on market access in the UK as, when prescribers are able to prescribe, we have found that they do.

Positive new market research

Recently commissioned independent market research indicates that gastroenterologists' future intention to prescribe Feraccru is high, with 86% in Germany and 71% in the UK[2] likely to prescribe. As our customer-facing teams in the UK and Germany continue to see new customers and gain new formularies, these intentions will continue to lead to positive and increasing clinical demand, which we will in turn support through the planned expansion of the sales teams in these markets.

Sales outlook

With Feraccru's IP suite now providing protection out to the mid-thirties following the grant of a composition of matter patent during 2016, Feraccru's sales performance is showing a promising start both in areas of the UK where Feraccru has achieved market access as well as across Germany. In the early launch phase we have encountered two challenges:

(i) delays in the formulary reviews during the early launch phase in the UK and (ii) previously reported slower initial recruitment in the AEGIS-H2H trial (data anticipated by year end). Subsequently the launches in the three other EU-5 countries have been delayed, as head to head data further supports premium pricing of Feraccru.

The impact of these is that the roll out of Feraccru has been running behind our initial expectations, our near to medium-term revenue expectations have been affected from a timing perspective and we now expect 2020 sales will be £20-25 million[3], reflecting a slower early build compared to analyst consensus sales estimates.

In the nearer term, at the start of 2017, our internal estimates were that approximately 9% of our 2017 Feraccru revenues would be achieved in Q1 2017. Whilst acknowledging that sales in the early stages of commercialisation with any newly launched drug will inevitably be irregular, the Board can confirm that in-market sales for Feraccru in Q1 2017 of approximately £100,000 have met its expectations.

Out-licensing strategy set to yield revenues in 2017

Having made our first commercial sales to AOP in Q4 2016, we continue to make progress in pursuing further out-licensing opportunities with well-regarded licensing partners in several relevant, although non-core, territories. We are confident that these negotiations will translate into meaningful validations of the technology, and is anticipated to yield additional revenue in due course. Having recently recruited a Senior

[2] Source: GfK attitude and usage tracking research Oct-16

[3] Based on IDA in IDB & CKD in the EU5

Director of Business Development and Licensing from Amgen, we are confident we will see an expansion of the licensing opportunities for Feraccru in additional non-core markets.

Strategy for growth

Shield Therapeutics' growth strategy is based on Feraccru, first marketed in Europe, and then followed by a US launch and label expansion. The Group aims to progress PT20, its second organically developed key product, onto the market and is evaluating the optimum strategy. As outlined at the time of the IPO, the Group is also carefully considering M&A or licensing activities to source additional products and maximise the investment in our infrastructure.

Feraccru development progress to support broader commercialisation

Together with existing data on Feraccru, the two Phase 3 studies we are running are designed to further increase the product's commercial opportunity by achieving a broader label in Europe and giving access to the US market via an NDA from the US FDA. These data will also facilitate marketing approvals and licensing agreements in additional non-core geographies.

1. Feraccru in the treatment of CKD-IDA (AEGIS-CKD Phase 3 study)

The absorption method of Feraccru appears to give it an ability to be well absorbed even by patients with chronically elevated levels of inflammation, for example pre-dialysis chronic kidney disease (PD-CKD) patients, such that the Board believes it also can be an effective oral therapy in the treatment of their IDA. To test this hypothesis, we are conducting a pivotal study in approximately 170 PD-CKD patients with IDA in approximately 30 US-based expert nephrology centres.

Despite setting aggressive timelines, the AEGIS-CKD study is recruitingahead of plan. The first subjects were randomised at the end of December 2016 and by the end of Q1 2017, with top line data expected to be available towards the end of 2017, facilitating NDA submission to the FDA shortly thereafter. This lends further evidence to the Board's hypothesis that there is a large and readily identifiable pool of pre-dialysis CKD patients with chronic IDA requiring treatment, for whom an effectively absorbed and well tolerated oral iron therapy such as Feraccru could provide significant ongoing benefit.

2. Feraccru compared to IV iron (AEGIS-H2H non-inferiority Phase 3b study)

Due to the complex nature of this head to head study, we have previously reported that recruitment has been slower than desired. To expedite the process, centres have now been opened in the US and the anticipated progress has started to be seen, with US subjects being randomised to treatment and improved screening levels being maintained across the study. We anticipate data from this study will be available in the second half of 2017.

Feraccru regulatory progress

Looking beyond 2017 we have begun to execute the regulatory strategies that will enable (i) access to increased geographies as well as (ii) a broader label claim for Feraccru. We have already filed for marketing authorisation in Switzerland and in the USA we expect to file a new drug application (NDA) with the US Food and Drug Administration (US FDA) in 2018, leading to commercialisation in the USA in 2019. In Europe, we are targeting commercialisation activities in line with a broad label from 2018.

Achieving a broad label for Feraccru in these markets will increase the potential number of patients for whom Feraccru will be an option from the initial target market of approximately 4.3 million patients with IDA related to IBD and CKD, to more than 33 million by being able to target patients with IDA due to any primary morbidity.

PT20

PT20 is our second asset and is a novel therapy being developed for the treatment of hyperphosphatemia in patients with CKD. Previously, we have successfully completed a pivotal Phase 2 study of PT20 in 153 CKD patients across 20 expert US institutions. A meeting with the FDA took place in Q4 2016 to agree additional clinical and non-clinical work required ahead of an NDA submission following the completion of a second pivotal study. Work on the development of a suitable commercial formulation of the drug product is ongoing and a strategic commercial/co-development partner for the asset is being sought.

PT40

PT40, potentially the first generic version of iron sucrose, represents a unique opportunity to gain access to an attractive market within the dialysis-dependent CKD population in the USA. We have previously received guidance from the FDA on how to most efficiently develop PT40 to submit an Abbreviated New Drug Application (ANDA). Activities to identify and choose a suitable scale-up contract manufacturer and commercial partners which would license, co-develop and co-commercialise this technology from Shield have begun.

Financial overview

The financial results for the Group to December 2016 reflect a transformational year for Shield, which was enabled by the successful completion of an initial public offering (IPO) on AIM of the London Stock Exchange in February 2016 raising £32.5 million (gross). Immediately prior to the IPO, £3.9 million was raised via an institutional exercise of pre-existing options. Also, as part of the listing process, Warrants were issued providing an opportunity for the Company to raise further gross proceeds of £17.5 million, subject to the full exercise of the Warrants.

Shield also acquired Phosphate Therapeutics Limited in 2016, in exchange for the issue of 19,887,791 Shield shares with a fair value of £27 million. The acquisition was accounted for as an acquisition of the Company's assets and intellectual property. The comparative results shown for 2015 do not include the asset and intellectual property acquisition or the results of Phosphate Therapeutics Limited for that period.

Revenue

Shield Therapeutics recorded first revenues of £304,000 in 2016 from sales of Feraccru, our first prescription medicine, which was approved in Europe in February 2016.

Research and development costs

Following the successful European Marketing Approval, the Group commenced the capitalisation of R&D programmes which had moved out of research and into the development phase. Total research and development expenditure charged to the statement of profit and loss in 2016 was £2.0 million (2015: £5.3 million) and included initial costs relating to the Phase 3 CKD study in the US, the paediatric PK study in the UK and additional costs associated with the MA approval and its maintenance and scale up of manufacturing activity. Further development expenditure incurred during the year of £2.6 million (2015:

£Nil) has been capitalised within intangible assets, including the costs of the continuing Feraccru Phase 3b head to head study in the EU and US.

Administrative expenses

Administrative expenses were £4.6 million (2015: £1.0 million) due to the impact of increased headcount, establishment, legal and professional fees, together with one-off costs relating to the restructuring and IPO enabling work, which was charged to the statement of profit and loss.

Statement of financial position

At 31 December 2016, total Group cash was £21.0 million (2015: £0.7 million), resulting from net fundraising proceeds from the IPO subscription and placing, plus options exercised, less cash burn (cash flows from operating and investing activities) of £13.3 million (2015: £4.3 million).

Net assets at 31 December 2016 were £48.4 million (2015: net liabilities of £18.6 million), relating to the positive impact of changes to the capital structure, the acquisition of the intellectual property of Phosphate Therapeutics Limited and the funds raised at IPO.

Going forward - as set out above with respect to the development of Feraccru, PT20 and PT40 - the Company has a number of options available to deliver returns for shareholders. To best execute the Company's stated objectives, it expects to require additional capital in due course. Consequently, the Board continues to evaluate the multiple potential sources of funding available to it including, but not limited to, the potential exercise of the Company's warrants, which are due to expire on 30 June 2017, as well as opportunities to out-license any of our assets.

Intangible assets

At 31 December 2016, intangible assets were £29.0 million (2015: £0.5 million). The Group capitalised £2.6 million of R&D expenditure in the year in respect of the development of Feraccru. In addition, the intellectual property of Phosphate Therapeutics was £25.3 million net of amortisation (2015: £Nil), with the balance representing the cost of acquiring, maintaining and expanding the patent portfolio for Feraccru, net of amortisation during the year.

Cash flow

Cash outflow from operating and investing activities was £13.3 million (2015: £4.3 million), funded largely by proceeds from the IPO in February.

Foreign exchange management

The Group takes a conservative position with regard to foreign exchange activities and does not take out forward contracts against uncertain or forecast expenditure, as the timings and extent of future cash flow requirements denominated in foreign currencies are difficult to predict. Part of our IPO-related funds inflow was in Euros and this had the benefit of providing us with a significant level of natural hedging against the Brexit-related weakening of Sterling. Future currency needs are continually monitored and we will purchase when the extent and timings of such needs are known. Further content on the Group's foreign exchange management is provided in the Principal Risks and Risk Management section and Note 27 of the annual report.

Loss per share

Net loss for 2016 was £15.0 million (2015: £24.8million) on an IFRS basis, EPS loss was £0.15 per share (2015: £0.57) and the adjusted net shareholder loss for 2016, excluding the impact of exceptional items (see Note 9), was £9.4 million (2015: £5.3 million) with EPS loss of £0.09 (2015: £0.13).

Tax

Corporation tax reclaims on R&D relating to claims for 2014 and 2015 equated to £0.6 million.

Post balance sheet events

There are no notable post balance sheet events.

Summary

In summary, thanks largely to the funds deployed following the IPO, we have significantly added resources and competencies through 2016 into 2017. This has resulted in Shield Therapeutics transforming over the course of 2016 from a small, wholly development-focused and privately owned company into a listed, significantly larger and increasingly commercially-focused, customer-facing organisation set up to sell our innovative and value-added specialty pharmaceuticals, such as Feraccru, that effectively treat otherwise unmet medical needs.

A number of key elements distinguish Shield Therapeutics, including:

- Revenue generation from approved product;
- Additional late-stage assets that have delivered proof of concept;
- Large market opportunities with unmet needs;
- Experienced management team with extensive expertise;
- Opportunity to create operational leverage across the product portfolio;
- Strong intellectual property protection.

Due to the strength of our products and team, and with thanks to all our supportive shareholders, I look forward to the future with much anticipation and confidence.

This strategic report was approved on 3 April 2017, by order of the Board.

Carl Sterritt
CEO, Shield Therapeutics plc

Consolidated statement of profit and loss and other comprehensive income

for the year ended 31 December

	Notes	**Pre-exceptional items 2016 £000**	**Exceptional items (Note 9) 2016 £000**	**Total 2016 £000**	Pre-exceptional items 2015 £000	Exceptional items (Note 9) 2015 £000	Total 2015 £000
Revenue	8	**304**	**-**	**304**	-	-	-
Cost of sales		**(100)**	**-**	**(100)**	-	-	-
Gross profit		**204**	**-**	**204**	-	-	-
Operating costs – selling, general and administrative expenses		**(8,284)**	**(455)**	**(8,739)**	(1,321)	-	(1,321)
Operating costs – depreciation and amortisation		**(234)**	**(1,702)**	**(1,936)**	(50)	-	(50)
Other operating income		**40**	**-**	**40**	221	-	221
Operating loss before research and development expenditure		**(8,274)**	**(2,157)**	**(10,431)**	(1,150)	-	(1,150)
Research and development expenditure		**(2,029)**	**-**	**(2,029)**	(5,284)	-	(5,284)
Operating loss		**(10,303)**	**(2,157)**	**(12,460)**	(6,434)	-	(6,434)
Net foreign exchange gains		**270**	**-**	**270**	266	-	266
Net foreign exchange (losses)/gains on financial instruments	2	**-**	**(1,059)**	**(1,059)**	-	1,675	1,675
Net loss on financial instruments designated as fair value through profit or loss	2	**-**	**(2,398)**	**(2,398)**	-	(18,123)	(18,123)
Financial income		**58**	**-**	**58**	-	-	-
Financial expense		**(14)**	**-**	**(14)**	28	(1,900)	(1,872)
Loss before tax		**(9,989)**	**(5,614)**	**(15,603)**	(6,140)	(18,348)	(24,488)
Taxation	11	**587**	**-**	**587**	-	-	-
Loss for the year		**(9,402)**	**(5,614)**	**(15,016)**	(6,140)	(18,348)	(24,488)
Attributable to:							
Equity holders of the parent		**(9,402)**	**(5,614)**	**(15,016)**	(5,279)	(18,348)	(23,627)
Non-controlling interests		**-**	**-**	**-**	(861)	-	(861)
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Foreign currency translation differences – foreign operations		**112**	**-**	**112**	(257)	-	(257)
Total comprehensive expenditure for the year		**(9,290)**	**(5,614)**	**(14,904)**	(6,397)	(18,348)	(24,745)
Attributable to:							
Equity holders of the parent		**(9,290)**	**(5,614)**	**(14,904)**	(5,729)	(18,155)	(23,884)
Non-controlling interests		**-**	**-**	**-**	(668)	(193)	(861)
Total comprehensive expenditure for the year		**(9,290)**	**(5,614)**	**(14,904)**	(6,397)	(18,348)	(24,745)
Earnings per share							
Basic and diluted loss per share	10			**£(0.15)**			£(0.57)
Non-GAAP measure							
Adjusted loss per share	10			**£(0.09)**			£(0.13)

Group balance sheet

at 31 December

	Notes	**2016 £000**	2015 £000
Non-current assets			
Intangible assets	13	**28,984**	513
Property, plant and equipment		**19**	17
		29,003	530
Current assets			
Inventories		**418**	-
Trade and other receivables		**1,985**	1,605
Cash and cash equivalents		**20,978**	725
		23,381	2,330
Total assets		**52,384**	2,860
Current liabilities			
Trade and other payables		**(3,827)**	(3,502)
Other liabilities		**(161)**	(73)
		(3,988)	(3,575)
Non-current liabilities			
Other financial liabilities		**-**	(17,928)
		-	(17,928)
Total liabilities		**(3,988)**	(21,503)
Net assets/(liabilities)		**48,396**	(18,643)
Equity			
Share capital	14	**1,622**	690
Share premium		**77,963**	-
Warrants reserve		**2,760**	-
Merger reserve		**28,358**	28,358
Currency translation reserve		**73**	(39)
Retained earnings		**(62,380)**	(47,652)
Total equity		**48,396**	(18,643)

These financial statements were approved by the Board of Directors on 3 April 2017 and were signed on its behalf by:

Carl Sterritt
Director
Company registered number: 09761509

Group statement of changes in equity

for the year ended 31 December

	Issued capital £000	Share premium £000	Warrants reserve £000	Merger reserve £000	Currency translation reserve £000	Retained earnings £000	Non-controlling interest £000	Total £000
Balance at 1 January 2015	365	2,393	-	-	218	(23,006)	1,746	(18,284)
Loss for the year	-	-	-	-	-	(23,627)	(861)	(24,488)
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	(257)	-	-	(257)
Total comprehensive expense for the year	-	-	-	-	(257)	(23,627)	(861)	(24,745)
Transactions with owners, recorded directly in equity:								
Group reorganisation	325	(2,393)	-	28,358	-	(1,901)	(885)	23,504
Equity-settled share-based payment transactions	-	-	-	-	-	882	-	882
Balance at 31 December 2015	690	-	-	28,358	(39)	(47,652)	-	(18,643)
Loss for the year	-	-	-	-	-	(15,016)	-	(15,016)
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	112	-	-	112
Total comprehensive expense for the year	-	-	-	-	112	(15,016)	-	(14,904)
Transactions with owners, recorded directly in equity:								
Share issue - IPO	325	26,487	2,760	-	-	-	-	29,572
Share options exercised	309	25,011	-	-	-	-	-	25,320
Phosphate Therapeutics Ltd acquisition	298	26,465	-	-	-	-	-	26,763
Equity-settled share-based payment transactions	-	-	-	-	-	288	-	288
Balance at 31 December 2016	**1,622**	**77,963**	**2,760**	**28,358**	**73**	**(62,380)**	**-**	**48,396**

Group statement of cash flows

for the year ended 31 December

	2016 £000	2015 £000
Cash flows from operating activities		
Loss for the year	**(15,016)**	(24,488)
Adjustments for:		
Depreciation and amortisation	**1,936**	50
Loss on derivative financial instruments	**2,398**	18,123
Equity-settled share-based payment expenses	**288**	882
Financial expense	**-**	1,872
Unrealised foreign exchange losses/(gains)	**984**	(1,927)
	(9,410)	(5,488)
Increase in inventories	**(418)**	-
Increase in trade and other receivables	**(377)**	(1,526)
(Decrease)/increase in trade and other payables	**(154)**	2,808
Increase in other liabilities	**103**	23
Net cash flows from operating activities	**(10,256)**	(4,183)
Cash flows from investing activities		
Acquisitions of intangible assets	**(528)**	(123)
Capitalised development expenditure	**(2,639)**	-
Acquisition of property, plant and equipment	**(8)**	(9)
Cash acquired with Phosphate Therapeutics Ltd	**177**	-
Net cash flows from investing activities	**(2,998)**	(132)
Cash flows from financing activities		
Proceeds of IPO	**32,500**	-
IPO costs	**(2,427)**	-
Other costs	**(501)**	-
Share options exercised	**3,935**	-
Issuance of convertible bonds	**-**	1,062
Issuance of preference shares	**-**	3,501
Net cash flows from financing activities	**33,507**	4,563
Net increase in cash	**20,253**	248
Cash and cash equivalents at 1 January	**725**	477
Cash and cash equivalents at year end	**20,978**	725

Notes (forming part of the financial statements)

for the year ended 31 December

1. General information

The financial information set out above has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs).

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These results were approved by the Board of Directors on 3 April 2017.

2. AIM listing

Shield Therapeutics plc was admitted to AIM on 26 February 2016 with a placing price of £1.50 per share for the additional 21.7 million new shares to be issued pursuant to the placing. The Company's Shares and Warrants commenced trading on 26 February 2016. £32.5 million gross was raised through the listing process and £2.4 million of issue costs were incurred.

As part of the listing process Warrants with a subscription price of £1.50 were issued to participants in the placing, providing an opportunity for the Company to raise up to £17.5 million by 30 June 2017 when the Warrants expire. The Warrants trade under the ticker STXW.

On 26 February 2016 debt with a fair value of £21.4 million was converted to equity and this included certain options converted to equity at an exercise price of £3.9 million. As a consequence of this transaction, reserves have increased by £25.3 million and the Group is debt free. Fair value costs of £2.4 million and foreign exchange translation costs of £1.1 million were charged to the profit and loss account during the year as a consequence of the fair value remeasurement of the debt prior to its conversion.

3. Acquisition of Phosphate Therapeutics Limited

On 26 February 2016 Shield Therapeutics plc acquired 100% of the share capital of Phosphate Therapeutics Limited in consideration for 19,887,791 shares in the Company with a fair value of £27 million. This has been accounted for as the acquisition of Phosphate Therapeutics Limited's intellectual property.

4. Merger of Swiss entities

During the year the Group merged its Swiss legal entities, Shield Holdings AG, Iron Therapeutics Holdings AG and Iron Therapeutics (Switzerland) AG, with effect from 31 August 2016. Following completion of the merger process, Shield Holdings AG and Iron Therapeutics (Switzerland) AG have been dissolved. The surviving entity, Iron Therapeutics Holdings AG changed its name to Shield TX (Switzerland) AG and now contains the assets formerly held by the dissolved Swiss entities.

5. Accounting policies

The consolidated and parent company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The financial statements are prepared on the historical cost basis except for derivative financial instruments that are stated at their fair value. The functional currency of the Company is GBP. The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except as otherwise indicated.

Company income statement

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement. The loss for the financial year per the accounts of the Company was £3.0 million. The total comprehensive expenditure for the year comprises the net loss and is wholly attributable to the equity holders of Shield Therapeutics plc; therefore no statement of comprehensive income has been disclosed.

Going concern

In its first year of commercial sales the group remains at an early stage in its development and, as for all such companies, will be dependent on further fund raises to fully execute its business plan and establish a self-funding business model. As previously explained, the Group's revenues and cash in respect of FY2016 results are ahead of expectations at IPO, albeit the positive cash variance is largely due to the re-phasing of costs of certain clinical studies.

5. Accounting policies (continued)

Going concern (continued)

The directors have prepared forecasts for the next 12 months from the date of approval of these accounts. Those forecasts assume that the warrants, which are due to expire on 30 June 2017, will be exercised raising net proceeds of £17 million. On this basis the Group would have headroom in the forecast period, which remains the case after sensitising for reasonably possible downside scenarios.

Whilst the directors consider it probable that the warrants will be exercised, they have also considered the scenario where the warrants are not exercised, or are not exercised in full. On the basis of these enquiries, and on the professional advice obtained, the directors are confident that the Group would be successful in raising sufficient additional or alternative funds.

Finally the directors have also considered the scenario where there is a delay in raising those funds such that no additional funds were raised throughout the forecast period. In these unlikely circumstances the Group would be required to reduce significantly the level of discretionary spend, including delays to clinical and/or commercial development, and the directors have further sensitised the forecasts on this basis. Whilst such delays could, if prolonged, ultimately have an impact on the level of future revenues and profits that the Group may achieve, those sensitised forecasts do demonstrate that the Group would have sufficient cash to meet its commitments for the 12 month period from the date of approval of these accounts.

After consideration of the above the Directors believe that the Group is well placed to manage its key risks, including the funding of its further development. They have, therefore, a reasonable expectation that the Group has adequate resources to continue to meet its liabilities as they fall due for at least the next 12 months from the date of approval of these accounts. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Group reorganisations in the prior year were accounted for as a continuation of the existing Shield Group. Accordingly, the consolidated financial statements of Shield Therapeutics plc have been prepared as a continuation of the existing Group. Shield Holdings AG in effect remains the accounting parent entity. The consolidated financial statements reflect any difference in share capital between Shield Therapeutics plc and Shield Holdings AG as an adjustment to equity, recorded in the merger reserve.

Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the statement of profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentation currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the currency translation reserve or within non-controlling interests, as the case may be.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

5. Accounting policies (continued)

Classification of financial instruments issued by the Group (continued)

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash at bank and in hand, restricted cash, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade payables, other payables and other liabilities

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances in the bank and restricted cash.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Embedded derivatives

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through the profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Intangible assets

Research and development

Expenditure on research activities is recognised as an expense in the statement of profit and loss.

During the year the Group met the criteria to capitalise development expenditure for the first time, due to the progression of certain projects beyond the research phase. Consequently, the policy on research and development costs has been expanded to include the capitalisation criteria for and composition of development costs. No previously reported balances have been restated as a consequence of this change.

Expenditure on development activities directly attributable to an intangible asset is capitalised when the following conditions are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;

5. Accounting policies (continued)
Intangible assets (continued)

- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

The Group considers that Marketing Authorisation Approval "MAA" regulatory approval in the relevant jurisdiction confirms these criteria.

Internally developed intangible assets are recorded at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Capitalised directly attributable development costs include clinical trial costs, Chemistry, Manufacturing and Controls "CMC" costs and contractor costs. Internal salary costs have not been capitalised as they are not considered to directly relate to bringing the asset to its working condition and employee costs are not allocated by project.

Expenditure in relation to patent registration and renewal of current patents is capitalised and recorded as an intangible asset. Registration costs are continually incurred as the Group registers these patents in different countries. Patent assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the statement of profit and loss on the straight-line basis. Amortisation commences when patents are issued, or in the case of other capitalised development expenditure when substantive revenue is being generated from products. Amortisation is charged as follows.

Patents, trademarks and development costs	– over the term of the patents (currently until 2023 – 2029)
Chemistry, Manufacturing and Controls costs (development costs)	– over five years
Intellectual property purchase costs	– over the term of the patents

Impairment of assets

An impairment review is carried out annually for assets not yet in use. An impairment review is carried out for assets being amortised or depreciated when a change in market conditions and other circumstances indicates that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Property, plant and equipment
Property, plant and equipment is stated at historical cost less depreciation. The cost of property, plant and equipment includes the purchase price and any costs directly attributable to bringing it into working order.

Depreciation on property, plant and equipment is calculated to allocate the cost to the residual values over the estimated useful lives, as follows:

Furniture, fittings and equipment	25% reducing balance basis
Computer equipment	33.33% straight-line basis

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Revenue
Revenue is net invoice value after the deduction of value added tax and other sales taxes. Deductions are made for product returns based on historical experience.

Revenue is recognised in the consolidated statement of profit and loss and other comprehensive income when the risks and rewards associated with the ownership of goods are transferred to the customer. This is deemed to occur when the customer collects and loads the product, resulting in the legal transfer of title.

5. Accounting policies (continued)

Other operating income

Other operating income is measured at the fair value of consideration received or receivable for management services supplied to related parties. Income is recognised when the service has been delivered.

Expenses

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Share-based payments

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between the service commencement period and the grant date.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

6. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 5, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6. Critical accounting judgments and key sources of estimation uncertainty (continued)

Valuation of intellectual property acquired with Phosphate Therapeutics Limited
The valuation of intellectual property acquired with Phosphate Therapeutics Limited during the year is based on cash flow forecasts for the underlying business and an assumed appropriate cost of capital and other inputs in order to arrive at a fair value for the asset. The realisation of its value is ultimately dependent on regulatory approval and successful commercialisation of the asset. Work on the development of a suitable commercial formulation of the drug product is ongoing and a strategic commercial/co-development partner for the asset is being sought. In the event that commercial returns are lower than current expectations this may lead to an impairment.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 31 to the annual report.

Fair value of derivative instruments
Where the fair value of derivative instruments recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as entity value and volatility.

Deferred tax assets
Estimates of future profitability are required for the decision whether or not to create a deferred tax asset. To date no deferred tax assets have been recognised.

Development expenditure
Development expenditure is capitalised when the conditions referred to in Note 5 are met.

7. New standards and interpretations
The Group has adopted the following standards, amendments and interpretations in these financial statements for the first time. The adoption of these pronouncements has not had a material impact on the Group's accounting policies, financial position or performance:

- Amendment to IFRS 10 Consolidated financial statements.
- Amendment to IFRS 11 Joint arrangements.
- Amendment to IFRS 12 Disclosure of interests in other entities.
- Amendment to IAS 1 Presentation of financial statements.
- Amendment to IAS 16 Property, plant and equipment.
- Amendment to IAS 27 Separate financial statements.
- Amendment to IAS 28 Investments in associates and joint ventures.
- Amendment to IAS 38 Intangible assets.
- Amendment to IAS 41 Agriculture.
- Annual improvements to IFRSs – 2012-2014 cycle.

At the balance sheet date the following standards, amendments and interpretations were in issue but not yet effective. The Group has not early adopted any of these standards, amendments and interpretations and is currently assessing their impact.

- IFRS 9 Financial instruments.
- IFRS 15 Revenue from contracts with customers.

Notes (forming part of the financial statements - continued)

for the year ended 31 December

8. Segmental reporting

The following analysis by segment is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Chief Operating Decision Maker (considered to be the Board of Directors) to assess performance and make strategic decisions about the allocation of resources. Segmental results are calculated on an IFRS basis.

A brief description of the segments of the business is as follows:

- Feraccru – development and supply of the Group's lead Feraccru product
- PT20 – development of the Group's secondary asset

Operating results which cannot be allocated to an individual segment are recorded as central and unallocated overheads.

	Feraccru 2016 £000	**PT20 2016 £000**	**Central and unallocated overheads 2016 £000**	**Total 2016 £000**	Feraccru 2015 £000	PT20 2015 £000	Central and unallocated overheads 2015 £000	Total 2015 £000
Revenue	**304**	**-**	**-**	**304**	-	-	-	-
Operating loss	**(9,179)**	**(14)**	**(3,267)**	**(12,460)**	(5,611)	-	(823)	(6,434)
Net foreign exchange gains				**270**				266
Foreign exchange (losses)/gains on financial instruments				**(1,059)**				1,675
Net loss on financial instruments designated as fair value through profit or loss				**(2,398)**				(18,123)
Financial income				**58**				-
Financial expense				**(14)**				(1,872)
Tax				**587**				-
Loss for the year				**(15,016)**				(24,488)

The revenue analysis in the table below is based on the country of registration of the fee paying party. All revenue is derived from the sale of goods.

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
UK	**240**	-
Germany	**33**	-
Austria	**31**	-
	304	-

An analysis of revenue by customer is set out in the table below.

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Customer A	**160**	-
Customer B	**113**	-
Customer C	**31**	-
	304	-

Notes (forming part of the financial statements - continued)

for the year ended 31 December

8. Segmental reporting (continued)

Year ended 31 December 2016	Feraccru £000	PT20 £000	Central and unallocated overheads £000	Total £000
Segment assets	6,450	25,394	20,540	**52,384**
Segment liabilities	(3,645)	(129)	(214)	**(3,988)**
Total net assets	2,805	25,265	20,326	**48,396**
Depreciation, amortisation and impairment	172	1,764	-	**1,936**
Capital expenditure	8	-	-	**8**
Capitalised development costs	2,639	-	-	**2,639**

Year ended 31 December 2015	Feraccru £000	PT20 £000	Central and unallocated overheads £000	Total £000
Segment assets	707	-	2,153	**2,860**
Segment liabilities	(2,107)	-	(19,396)	**(21,503)**
Total net liabilities	(1,400)	-	(17,243)	**(18,643)**
Depreciation, amortisation and impairment	50	-	-	**50**
Capital expenditure	9	-	-	**9**
Capitalised development costs	-	-	-	**-**

All material segmental non-current assets are located in the UK.

9. Exceptional items

Exceptional items are separately disclosed on the basis that the Directors believe this is necessary to enable a fuller understanding of the performance of the Group. The Directors define exceptional items as:

- Material items that are unusual by size or incidence – this includes costs related to the IPO, including those related to complex financial instruments that expired at IPO; or
- Non-cash charges which, whilst recurring in nature, at this stage in the Group's development, are of a disproportionate size relative to the Group's other expenditure – this includes the amortisation of the Phosphate Therapeutics licences and share-based payment charges.

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Interest on preference shares	**-**	1,761
FX movement on preference shares	**-**	(259)
Fair value remeasurement of preference shares embedded derivative	**-**	15,610
Interest on convertible bonds	**-**	139
FX movement on convertible bonds	**-**	10
Fair value remeasurement of convertible bond embedded derivative	**-**	1,146
Fair value remeasurement of share options	**2,398**	(59)
Phosphate Therapeutics Ltd. intellectual property amortisation	**1,702**	-
FX movement on share options	**1,059**	-
Non-recurring legal and professional fees	**167**	-
Share-based payments charge	**288**	-
	5,614	18,348

Notes (forming part of the financial statements - continued)

for the year ended 31 December

10. Loss per share

	Loss £000	**Weighted shares 000**	**Loss per share £**	Loss £000	Weighted shares 000	Loss per share £
Basic and diluted	**(15,016)**	**101,160**	**(0.15)**	(23,627)	41,507	(0.57)
Adjusted – basic and diluted	**(9,402)**	**101,160**	**(0.09)**	(5,279)	41,507	(0.13)
Proforma adjusted – basic and diluted	**(9,402)**	**108,135**	**(0.09)**	n/a	n/a	n/a

Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

The diluted loss per share is identical to the basic loss per share in both years, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share. Warrants issued as part of the IPO process would potentially provide an additional 11,666,658 shares (approximately 10.8% of the current share capital) if exercised between the year end and 30 June 2017, which are considered to be non-dilutive as they would increase the loss per share. At the date of approval of the accounts 1,042,262 of LTIP share options were also in issue, which are considered non-dilutive and potentially provide 1,042,262 additional Ordinary Shares (approximately 1% of the current share capital).

The adjusted loss is calculated after adding back non-recurring and exceptional items as illustrated in the table below, in order to illustrate the underlying performance of the business.

The adjusted loss is calculated using the weighted average number of Ordinary Shares in issue during the year.

The adjusted proforma loss per share is calculated using the number of Ordinary Shares in issue following the IPO, and is presented to show how the loss per share would appear had the post-IPO level of Ordinary Shares been in place for the full year.

The table below reflects the income used in the basic, diluted and adjusted (non-GAAP) EPS computations:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Loss for the period as used for calculating basic EPS	**(15,016)**	(23,627)
Interest on preference shares	**-**	1,761
FX movement of preference shares	**-**	(259)
Fair value remeasurement of preference share embedded derivative	**-**	15,610
Interest on convertible bonds	**-**	139
FX movement on convertible bonds	**-**	10
Fair value remeasurement of convertible bond embedded derivative	**-**	1,146
Fair value remeasurement of share options (see Note 24)	**2,398**	(59)
Phosphate Therapeutics Ltd. intellectual property amortisation	**1,702**	-
FX movement on share options (see Note 24)	**1,059**	-
Non-recurring legal and professional fees	**167**	-
Share-based payments charge	**288**	-
Loss attributable to ordinary equity holders of the parent adjusted for the effect of one-off items as used for calculating Adjusted EPS	**(9,402)**	(5,279)

11. Taxation

Recognised in the income statement:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Current income tax – adjustments in respect of prior years	**587**	-
Deferred tax	**-**	-
Total tax credit	**587**	-

11. Taxation (continued)

Reconciliation of total tax credit:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Loss for the year	**(15,016)**	(24,488)
Taxation	**587**	-
Loss before tax	**(15,603)**	(24,488)
Standard rate of corporation tax in the UK	**20%**	20.25%
Tax using the UK corporation tax rate	**(3,121)**	(4,959)
Expenses not deductible for tax purposes	**9**	-
Adjustments in respect of prior years	**567**	-
Unrelieved tax losses carried forward and other temporary differences not recognised for deferred tax	**3,132**	4,959
Total tax credit	**587**	-

An R&D debit of £20,000 (2015: credit of £135,000) was also included as a credit within operating costs during the year.

Factors affecting the future tax charge

The standard rate of UK corporation tax for the period was 20.00% (2015: 20.25%). A reduction in the rate to 19% from 1 April 2017 and 17% from 1 April 2020 were substantively enacted prior to the balance sheet date and have been applied to the company's deferred tax balance at the balance sheet date. Deferred tax on losses has been calculated at a rate of 12.48% in respect of Switzerland and 29.72% in respect of Germany.

Unrecognised deferred tax assets

There is a potential deferred tax asset in respect of the unutilised tax losses, which has not been recognised due to the uncertainty of available future taxable profits.

	2016 £000	2015 £000
Unutilised Swiss tax losses to carry forward	**17,799**	13,610
Potential deferred tax asset thereon	**2,128**	1,100
Unutilised German tax losses to carry forward	**90**	-
Potential deferred tax asset thereon	**27**	-
Unutilised UK tax losses to carry forward	**21,910**	15,440
Potential deferred tax asset thereon	**3,725**	2,780
Total potential deferred tax asset	**5,880**	3,880

12. Investments

Company	**2016 £000**	2015 £000
Cost		
Beginning balance	**136,000**	-
Additions	**26,968**	136,000
Ending balance	**162,968**	136,000
Accumulated impairment		
Beginning balance	**(60,400)**	-
Charge during the period	**-**	(60,400)
Ending balance	**(60,400)**	(60,400)
Net book value		
Ending balance	**102,568**	75,600
Beginning balance	**75,600**	-

12. Investments (continued)

On 26 February 2016 Shield Therapeutics plc acquired 100% of the share capital of Phosphate Therapeutics Limited in consideration for 19,887,791 shares in the Company with a fair value of £26.8 million. As this does not meet the definition of a business combination this has been accounted for as an asset acquisition of the intellectual property of Phosphate Therapeutics Limited.

The remaining £0.2 million of additions to investments during the year relate to share-based payments costs in respect of Group share-based payments arrangements.

In the prior year an impairment loss was recognised on the investment, based on an assessment of the carrying value against the recoverable amount of the investment at 31 December 2015. The recoverable amount of £75.6 million was assessed based on the fair value less cost of disposal of the cash-generating unit (i.e. Shield Holdings, AG and its subsidiaries). The impairment loss was recognised in the parent Company financial statements and eliminated at the Group level.

The Group's equity interests were as follows:

At 31 December 2016

Group company	Holding	Country of incorporation
Phosphate Therapeutics Limited	100%	United Kingdom
Shield TX (Switzerland) AG (formerly Iron Therapeutics Holdings AG)	100%	Switzerland
Shield TX (UK) Limited (formerly Iron Therapeutics (UK) Limited)*	100%	United Kingdom
Shield Therapeutics (DE) GmbH**	100%	Germany

At 31 December 2015

Group company	Holding	Country of incorporation
Shield Holdings AG	100%	Switzerland
Iron Therapeutics Holdings AG	100%	Switzerland
Iron Therapeutics (Switzerland) AG*	100%	Switzerland
Shield TX (UK) Limited (formerly Iron Therapeutics (UK) Limited)*	100%	United Kingdom

* Investment held indirectly

** Incorporated on 25 August 2016

With effect from 31 August 2016 Shield Holdings AG and Iron Therapeutics (Switzerland) AG were merged with Iron Therapeutics Holdings AG. As part of this transaction Iron Therapeutics Holdings AG changed its name to Shield TX (Switzerland) AG.

Iron Therapeutics (UK) Limited changed its name to Shield TX (UK) Limited on 17 March 2016.

The registered office address of Shield Therapeutics (DE) GmbH is Leopoldstrasse 23, 80802 München, Germany.

The registered office address of Shield TX (Switzerland) AG is Sihleggstrasse 23, 8832 Wollerau, Switzerland.

The registered office address of Shield TX (UK) Limited and Phosphate Therapeutics Limited is the same as the Shield Therapeutics plc address shown at Note 1.

Notes (forming part of the financial statements - continued)

for the year ended 31 December

13. Intangible assets

Group	Patents and trademarks £000	Development costs £000	Phosphate Therapeutics licences £000	Total £000
Cost				
Balance at 1 January 2015	566	-	-	**566**
Additions – externally purchased	104	-	-	**104**
Effect of movements in foreign exchange	19	-	-	**19**
Balance at 31 December 2015	689	-	-	**689**
Additions – externally purchased	528	-	-	**528**
Additions – internally developed	-	2,639	-	**2,639**
Acquisition with Phosphate Therapeutics Limited	-	-	27,047	**27,047**
Effects of movements in foreign exchange	223	-	-	**223**
Balance at 31 December 2016	**1,440**	**2,639**	**27,047**	**31,126**
Accumulated amortisation				
Balance at 1 January 2015	130	-	-	**130**
Charge for the period	46	-	-	**46**
Balance at 31 December 2015	176	-	-	**176**
Charge for the period	113	115	1,702	**1,930**
Effects of movements in foreign exchange	36	-	-	**36**
Balance at 31 December 2016	**325**	**115**	**1,702**	**2,142**
Net book values				
31 December 2016	**1,115**	**2,524**	**25,345**	**28,984**
31 December 2015	513	-	-	**513**

At the year end management reviewed the carrying value of the Phosphate Therapeutics licences for impairment. The balance of these intangible assets are considered to relate to one Cash Generating Unit, being the Phosphate Therapeutics Limited business. The recoverable amount has been determined based on value-in-use calculations, using pre-tax cash flow projections for the period of the patents. The following key assumptions have been included in the value-in-use calculations.

- A discount factor of 20%, reflecting the inherent uncertainty attached to pharmaceutical projects.
- Cash inflows which expire in 2029, based on the current patent life of the asset.

The Company had no intangible assets (2015: £Nil).

14. Share capital

Allotted, called up and fully paid	2016 £000	2015 £000
69 million Ordinary Shares at £0.01 each	**-**	690
108 million Ordinary Shares at £0.015 each	**1,622**	-

During the course of the Company's IPO in February 2016 its 69 million Ordinary Shares with a nominal value of £0.01 each were increased by the issue of 62 million shares, in addition to a share consolidation that reduced the number of shares in issue by 23 million and gave rise to a total equity share capital of 108 million Ordinary Shares with a nominal value of £0.015 each.

The Warrants issued by the Company during the year are considered to meet the criteria of equity as the Company has no contractual obligation to deliver cash or another financial asset to the Warrant holders and the Warrant will be settled using the Company’s own shares, on a fixed-for-fixed basis.

15. Post balance sheet events

None noted.