Shield Therapeutics plc

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

Interim Report for the Six Months Ended 30 June 2018

London, UK, 19 September 2018. Shield Therapeutics plc (LSE:STX), a specialty pharmaceutical company focused on secondary care, today announces its unaudited interim results for the six months ended 30 June 2018.

Highlights (including post period end)

Operational

***Feraccru®* highlights**

- Exclusive licence agreement announced with Norgine BV
- Marketing authorisation in Europe extended to cover iron deficiency (ID) in adults with or without anaemia
- Phase III AEGIS-CKD achieved statistically significant response against primary endpoint
- US NDA submission remains on course to be filed in 2018
- AEGIS-H2H recruitment completed
- Revenues maintained despite reductions in manpower and promotional activity

Financial

- Revenues of £495k (H1 2017: £142k)
- Net loss of £8.0m (H1 2017: £9.6m)
- Adjusted net loss (excluding exceptional items) of £6.8m (H1 2017: £8.4m)
- Net cash of £3.5m (31 December 2017: £13.3m)
- £11m upfront from Norgine licence agreement extends cash runway significantly

Board changes

Dr Andrew Heath resigned as Chairman and from the Board in June 2018 in order to focus on other business interests. Rolf Hoffman and Hans-Peter Hasler joined the Board as non-executive directors in April and July 2018 respectively.

Commenting on the interim results, Carl Sterritt, CEO of Shield Therapeutics plc, said: *"I am pleased to be able to report that the business has continued to develop positively. Full analysis of the AEGIS-CKD data showed a statistically significant response against the primary endpoint, we gained a much broader approval for Feraccru® in Europe, and we are on track to file a US NDA submission in 2018. The licence agreement with Norgine announced today is an important step forward for the Group which will accelerate the commercialisation of Feraccru® and extend our cash runway. Although we have had to adapt during the first half of the year, I remain confident that we will be able to build a valuable business and bring benefits to many patients worldwide who suffer today from iron deficiency."*

Conference call for analysts

A conference call for analysts will be held at 11.30am BST on 19 September 2018

Dial in details:

Participant local dial-in:	+44 (0) 2071 928000
Participant free phone dial-in:	08003767922
Participant code:	8426797

To access the presentation, please visit Shield's investor relations page https://www.shieldtherapeutics.com/investors/presentations/

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

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About Shield Therapeutics plc

Shield Therapeutics is a commercial stage pharmaceutical company, delivering innovative specialty pharmaceuticals to address patients' unmet medical needs. 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 adults with iron deficiency with or without anaemia which has exclusive IP rights until the mid-2030's. For more information please visit www.shieldtherapeutics.com.

Note

This announcement is released by Shield Therapeutics plc and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("**MAR**") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of Shield Therapeutics plc was Carl Sterritt, Chief Executive Officer.

Operational Review

Feraccru®

In February 2018 the Company announced preliminary topline data from the Feraccru® AEGIS-CKD clinical study which suggested that the study had not met its primary endpoint. Subsequent detailed analysis, which was announced in March 2018, showed that the study had, in fact, achieved a statistically significant response (p=0.0149) against the primary endpoint of haemoglobin levels after 16 weeks of treatment. However, the adverse market reaction to the initial announcement led the Company to adapt its strategy so as to out-license Feraccru® in Europe and to reduce the organisation and cost base substantially.

Since March 2018 there has been good progress on several fronts, as shown below.

Broad label in Europe

In March the European Commission (EC) approved a much broader indication for Feraccru®, which can now be used across Europe to treat iron deficiency (ID) with or without anaemia in adults. This decision was a very significant event for Feraccru® as it provides a significantly broader commercial opportunity in Europe, where 40 million people are estimated to be iron deficient as compared to less than half a million with iron deficiency anaemia (IDA) associated with inflammatory bowel disease (IBD).

Licence agreement with Norgine B.V.

The Company has announced today that it has entered into an exclusive licence agreement with Norgine for the commercialisation of Feraccru® in Europe, Australia and New Zealand. Under the terms of the agreement, Shield will receive an immediate £11 million upfront payment, is eligible to receive up to €4.5 million in development milestones and up to €50 million in sales milestones upon the achievement of specified targets. Shield will also receive tiered royalties ranging from 25% to 40% of net sales of Feraccru®. This agreement is the result of an extensive process involving several potential partners.

US New Drug Application (NDA) submission

Following the Company's detailed analysis of the positive data from the placebo-controlled period of the AEGIS-CKD study, in March a pre-planned pre-NDA submission meeting with the FDA took place. This gave the Company an opportunity to present and discuss the positive AEGIS-CKD study results together with a broader discussion regarding the Company's intention to file an NDA for Feraccru®. The feedback received from the FDA has meant we have continued preparations for the NDA submission, which remains on course to occur in the second half of 2018 and could lead to an approval decision being made by the FDA during Q4 2019.

Development progress

AEGIS-CKD study: In March, following a detailed review of all enrolled subjects who completed the initial 16-week pivotal period of the Phase III AEGIS-CKD study, we announced Feraccru® had achieved a statistically significant response (p=0.0149) in haemoglobin levels after 16 weeks of treatment compared to placebo. Statistically significant results were also achieved across a range of secondary iron parameters (TSAT, Ferritin levels, serum iron levels). Following announcement of these positive pivotal results our focus has been on finalising the Clinical Study Report such that the study results can be incorporated into the NDA submission. At the same time, we have been continuing to progress the long term 36-week open-label phase of the study, which will complete active patient involvement by the end of the year.

AEGIS-H2H study: As announced on 13 September 2108, recruitment into this study has been completed. The Feraccru AEGIS-H2H study is a Phase 3b trial comparing the change in haemoglobin (Hb) from baseline at 12 weeks after oral Feraccru 30mg twice daily for 12 weeks versus IV ferric carboxymaltose dosed in line with its commercially approved dosing regimen. The primary endpoint is non-inferiority of Hb response at 12 weeks with preliminary results anticipated in Q1 2019.

Paediatric PK Study: In June we reported positive data from our first paediatric study of Feraccru®, the AEGIS-Paeds PK study. This pharmacokinetics (PK) study of Feraccru® was conducted in 36 subjects aged 12-17 years and saw Feraccru® achieve all the pre-defined goals of the protocol, including demonstrating positive effects on serum iron parameters over the duration of the study and showing good tolerance at all dosing levels. Completion of this study signified delivery of the first major milestone in Feraccru's paediatric development plan as agreed with the EMA and allows for selection of an optimal dosing schedule for the Phase III pivotal study in children that will follow in due course.

Real World Data: The first half of 2018 also saw two independently published reports of the efficacy and cost-effectiveness of Feraccru® in real world settings. The FRESH (**F**eraccru® **R**eal World **E**ffectiveness **S**tudy in **H**ospital Practice) study presented at the 2018 meeting of the British Society of Gastroenterology and a health economics analysis reported at the 2018 European Haematology Society meeting by physicians from the London North West University Healthcare NHS Trust have both provided independent data supporting the clinical and cost effectiveness of Feraccru®, all of which adds to the growing body of evidence supporting its use. We anticipate that as prescriber experience of Feraccru® grows, further positive real world data will be reported at scientific congresses.

Organisational changes

As a result of the adverse consequences following the preliminary results of the AEGIS-CKD study, the Group has reduced the number of permanent employees from 50 at 31 December 2017 to 20 at 30 June 2018 (and 15 at the end of August 2018). This includes the closure of the sales and marketing teams in the UK and Germany.

Outlook

Shield Therapeutics has made considerable progress during the first half of 2018, despite the setback in February caused by the preliminary data from the AEGIS-CKD study. With the broad label for Feraccru® now approved in Europe, the licence agreement with Norgine, the completion of the head-to-head study and the impending filing of the US NDA, the Group intends to build on this momentum in the coming months. The paediatric Phase III study will be started and focus will turn to the commercialisation of Feraccru® in other parts of the world, in particular the USA. Shield is now funded for at least 12 months and therefore well placed to deliver value to shareholders.

Financial Review

Revenue
Revenue of £495k was recorded during the period (H1 2017 : £142k), of which £107k related to sales in the UK and £388k to sales in Europe. European sales revenue includes a milestone payment of £61k from a commercial partner. Despite the closure of the UK and German sales and marketing teams during H1 2018, revenue in the period was unchanged from the £495k generated in H2 2017.

Selling, general and administrative expenses
Selling costs reduced from £3.9m in H1 2017 (and £5.3m in H2 2017) to £2.6m in the period, largely as a consequence of decisions taken following February 2018 to rationalise the Group's commercial structure and extend its cash runway.

Other costs remained broadly steady, with general and administrative expenses at £2.6m compared to £2.7m in H1 2017 (and £2.4m in H2 2017) and depreciation and amortisation of £1.2m in both H1 2018 and H1 2017.

Research and development expenditure
Research and development costs of £2.1m in the statement of profit and loss included expenditure on the Group's AEGIS-CKD study, and other continuing clinical and regulatory activities.

In addition, £2.7m of costs were capitalised as intangible assets, including £2.5m spent on the Head to Head and paediatric studies and £0.2m on improved patent protection.

Exceptional items
Exceptional items, which are set out in Note 6, are non-cash charges included in expenditure (IP amortisation and share-based payment charges) which the Directors consider should be disclosed separately in order to give a fuller understanding of the performance of the Group. The H1 2018 charge of £1.3m is broadly comparable with £1.2m in H1 2017.

Operating loss
The operating loss after exceptional items of £8.1m is a reduction from the £9.6m loss in H1 2017 and £11.3m loss in H2 2017. The reduction in the loss in the most recent period is due mainly to the reduction in selling costs.

Balance sheet
Net assets at 30 June 2018 were £33.5m (31 December 2017 : £41.2m), including intangible assets of £31.5m (31 December 2017 : £30.0m) and cash of £3.5m (31 December 2017 : £13.3m).

£22.4m of the intangible assets balance relates to the intellectual property acquired with Phosphate Therapeutics Limited in 2016. A further £9.1m of intangible assets relate to Feraccru®, including £1.3m strengthening the Group's patent protection and £7.8m of development cost expenditure in relation to the Group's Head to Head and paediatric studies, together with initial Marketing Authorisation costs.

Cash
The Group's cash at 30 June 2018 was £3.5m (31 December 2017 : £13.3m). Cash burn (net cash outflow from operating and investing activities) was £9.8m (H1 2017 : £11.0m), primarily in relation to key research and development activities and commercialisation.

Financial Outlook

As discussed above the Group has substantially rationalised its cost base and headcount such that selling and administration costs are significantly reduced. With the receipt of the £11 million upfront from the Norgine licence upfront payment, funding the business for at least 12 months, and with the prospects of future development milestones and the start of royalty payments, the Group is now financially well placed to undertake the paediatric Phase III study and to pursue the approval of Feraccru® in the USA.

Consolidated statement of profit and loss and other comprehensive income

for the six months ended 30 June 2018

	Note	**Six months ended 30 June 2018 (unaudited) £000**	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2017 (audited) £000
Revenue	4	**495**	142	637
Cost of sales		**(131)**	(38)	(155)
Gross profit		**364**	104	482
Operating costs – selling, general and administrative expenses	5	**(6,301)**	(7,787)	(16,722)
Operating loss before research and development expenditure		**(5,937)**	(7,683)	(16,240)
Research and development expenditure		**(2,146)**	(1,941)	(4,711)
Operating loss		**(8,083)**	(9,624)	(20,951)
Analysed as:				
Operating loss before exceptional items		**(6,806)**	(8,434)	(18,380)
Exceptional items	6	**(1,277)**	(1,190)	(2,571)
Operating loss		**(8,083)**	(9,624)	(20,951)
Financial income		**58**	10	15
Financial expense		**(12)**	(14)	(58)
Loss before tax		**(8,037)**	(9,628)	(20,994)
Taxation		**(8)**	-	1,406
Loss for the period		**(8,045)**	(9,628)	(19,588)
Attributable to:				
Equity holders of the parent		**(8,045)**	(9,628)	(19,588)
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences – foreign operations		**1**	(23)	(41)
Total comprehensive expenditure for the period		**(8,044)**	(9,651)	(19,629)
Attributable to:				
Equity holders of the parent		**(8,044)**	(9,651)	(19,629)
Total comprehensive expenditure for the period		**(8,044)**	(9,651)	(19,629)
Earnings per share				
Basic and diluted loss per share	7	**£(0.07)**	£(0.09)	£(0.17)
Non-GAAP measure				
Adjusted loss per share	7	**£(0.06)**	£(0.08)	£(0.15)

Group balance sheet

at 30 June 2018

	Note	**30 June 2018 (unaudited) £000**	30 June 2017 (unaudited) £000	31 December 2017 (audited) £000
Non-current assets				
Intangible assets	8	**31,511**	29,870	29,961
Property, plant and equipment		**10**	16	13
		31,521	29,886	29,974
Current assets				
Inventories		**151**	138	125
Trade and other receivables		**1,256**	2,104	1,572
Cash and cash equivalents		**3,508**	21,521	13,299
		4,915	23,763	14,996
Total assets		**36,436**	53,649	44,970
Current liabilities				
Trade and other payables		**(2,720)**	(2,634)	(3,501)
Other liabilities		**(194)**	(197)	(262)
		(2,914)	(2,831)	(3,763)
Total liabilities		**(2,914)**	(2,831)	(3,763)
Net assets		**33,522**	50,818	41,207
Equity				
Share capital	9	**1,746**	1,746	1,746
Share premium		**88,338**	88,338	88,338
Merger reserve		**28,358**	28,358	28,358
Currency translation reserve		**33**	50	32
Retained earnings		**(84,953)**	(67,674)	(77,267)
Total equity		**33,522**	50,818	41,207

Group statement of changes in equity

for the six months ended 30 June 2018

	Share capital £000	Share premium £000	Warrants reserve £000	Merger reserve £000	Currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2017 (audited)	1,622	77,963	2,760	28,358	73	(62,380)	48,396
Loss for the year	-	-	-	-	-	(19,588)	(19,588)
Other comprehensive income:							
Foreign currency translation differences	-	-	-	-	(41)	-	(41)
Total comprehensive expense for the year	-	-	-	-	(41)	(19,588)	(19,629)
Transactions with owners, recorded directly in equity							
Share issue – exercise of Warrants	108	10,235	(2,760)	-	-	2,760	10,343
Share issue – placing	15	-	-	-	-	1,381	1,396
Share issue – subscription	1	140	-	-	-	-	141
Equity-settled share-based payment transactions	-	-	-	-	-	560	560
Balance at 31 December 2017 (audited)	1,746	88,338	-	28,358	32	(77,267)	41,207
Loss for the period	-	-	-	-	-	(8,045)	(8,045)
Other comprehensive income:							
Foreign currency translation differences	-	-	-	-	1	-	1
Total comprehensive expense for the period	-	-	-	-	1	(8,045)	(8,044)
Transactions with owners, recorded directly in equity							
Equity-settled share-based payment transactions	-	-	-	-	-	359	359
Balance at 30 June 2018 (unaudited)	**1,746**	**88,338**	**-**	**28,358**	**33**	**(84,953)**	**33,522**

Group statement of cash flows

for the six months ended 30 June 2018

	Six months ended 30 June 2018 (unaudited) £000	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2017 (audited) £000
Cash flows from operating activities			
Loss for the period	**(8,045)**	(9,628)	(19,588)
Adjustments for:			
Depreciation and amortisation	**1,161**	1,186	2,437
Equity-settled share-based payment expenses	**421**	193	560
Financial income	**(4)**	(10)	(15)
Financial expense	**12**	10	17
Unrealised foreign exchange losses	**1**	49	39
Income tax	**8**	-	(1,406)
	(6,446)	(8,200)	(17,956)
(Increase)/decrease in inventories	**(26)**	280	293
Decrease/(increase) in trade and other receivables	**320**	(221)	(171)
Decrease in trade and other payables	**(786)**	(1,409)	(409)
(Decrease)/increase in other liabilities	**(130)**	36	101
Financial income	**4**	10	15
Financial expense	**(12)**	(10)	(17)
Income tax received	**(8)**	587	1,993
Net cash flows from operating activities	**(7,084)**	(8,927)	(16,151)
Cash flows from investing activities			
Acquisitions of intangible assets	**(118)**	(175)	(235)
Capitalised development expenditure	**(2,589)**	(1,894)	(3,173)
Net cash flows from investing activities	**(2,707)**	(2,069)	(3,408)
Cash flows from financing activities			
Proceeds of warrants exercise	**-**	10,306	10,792
Proceeds of placing	**-**	1,500	1,500
Proceeds of subscription	**-**	145	144
Share issue costs	**-**	(413)	(556)
Net cash flows from financing activities	**-**	11,538	11,880
Net (reduction)/increase in cash	**(9,791)**	542	(7,679)
Cash and cash equivalents at beginning period	**13,299**	20,978	20,978
Effects of currency translation on cash and cash equivalents	**-**	1	-
Cash and cash equivalents at period end	**3,508**	21,521	13,299

Notes

for the six months ended 30 June 2018

1. General information

Shield Therapeutics plc (the "Company") is incorporated in England and Wales as a public limited company. The Company trades on the London Stock Exchange's AIM market.

The Company is domiciled in England and the registered office of the Company is at Northern Design Centre, Baltic Business Quarter, Gateshead Quays NE8 3DF.

This interim report, which is not audited, has been prepared in accordance with the measurement and recognition criteria of EU Adopted International Financial Reporting Standards. It does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company and its subsidiaries (the "Group") as at and for the year ended 31 December 2017. This financial information does not constitute statutory financial statements as defined in Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2017 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditors was unqualified. The auditor has reported on those accounts; their report was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006; though it did include a reference to a matter to which the auditor drew attention by way of emphasis without qualifying their report in relation to going concern. It does not comply with IAS 34 Interim financial reporting, as is permissible under the rules of AIM.

The interim report was approved by the board of directors on 18 September 2018.

2. Accounting policies

The accounting policies applied in these interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except as explained in Accounting Developments below.

Accounting developments

The Directors have considered all new standards, amendments to standards and interpretations which are mandatory for the first time for the financial year beginning 1 January 2018. From 1 January 2018 the Company adopted IFRS 15 *Revenue from contracts with customers.* The Company has also adopted IFRS 9 *Financial Instruments*. No adjustments have been required as a consequence of these standards' adoption, as the impact is immaterial. There are no other new or amended standards which impact the Group in the period.

The Group is continuing to assess the impact of IFRS 16 Leases and does not expect its introduction to have a material impact based on an initial assessment.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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. The significant judgments and estimates which may lead to material adjustment in the next accounting period are:

Going concern

Following the receipt of the £11 million upfront on signing the licence agreement with Norgine, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this announcement. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

Valuation of intellectual property acquired with Phosphate Therapeutics Limited - £22.4m
The valuation of intellectual property acquired with Phosphate Therapeutics Limited 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 order to provide the funding required to successfully commercialise the asset. In the event that commercial returns are lower than current expectations or partner or alternative funding is not available this may lead to an impairment. No impairment has been recognised to date.

Valuation of intellectual property associated with Feraccru® – £9.1m
The valuation of intellectual property associated with Feraccru® (including patents, development costs and the Company's investment in Shield TX (Switzerland) AG) 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 the successful commercialisation of the asset. A strategic commercial partner for the asset is currently being sought in Europe in order to provide the funding required to successfully commercialise the asset. In the event that commercial returns are lower than current expectations or partner or alternative funding is not available this may lead to an impairment. No impairment has been recognised to date.

Deferred tax assets
No deferred tax asset has been recognised as at 30 June 2018 as there has been no certainty of future profitability.

4. 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.

	Six months ended 30 June 2018 (unaudited)				Year ended 31 December 2017 (audited)			
	Feraccru® £000	**PT20 £000**	**Central and unallocated £000**	**Total £000**	Feraccru® £000	PT20 £000	Central and unallocated £000	Total £000
Revenue	**495**	**-**	**-**	**495**	637	-	-	637
Operating loss	**(6,207)**	**(919)**	**(957)**	**(8,083)**	(16,718)	(2,047)	(2,186)	(20,951)
Net foreign exchange losses				**54**				(41)
Financial income				**4**				15
Financial expense				**(12)**				(17)
Tax				**(8)**				1,406
Loss for the period				**(8,045)**				(19,588)

Notes (continued)

for the six months ended 30 June 2018

4. Segmental reporting (continued)

The revenue analysis in the table below is based on the country of registration of the fee paying party. £61,000 (2017 - £Nil) of revenue is derived from a milestone payment from a commercial partner. The remainder of revenue is derived from the sale of goods.

	Six months ended 30 June 2018 (unaudited) £000	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2017 Restated (unaudited) £000
UK	**107**	-	70
Europe	**388**	142	567
	495	142	637

Segment assets and liabilities

Six months ended 30 June 2018 (unaudited)	**Feraccru® £000**	**PT20 £000**	**Central and unallocated £000**	**Total £000**
Segment assets	**11,030**	**22,532**	**2,873**	**36,436**
Segment liabilities	**(2,700)**	**(6)**	**(208)**	**(2,914)**
Total net assets	**8,330**	**22,526**	**2,664**	**33,522**
Depreciation, amortisation and impairment	**243**	**918**	**-**	**1,161**
Capital expenditure	**-**	**-**	**-**	**-**
Capitalised development costs	**2,589**	**-**	**-**	**2,589**

Year ended 31 December 2017 (audited)	Feraccru® £000	PT20 £000	Central and unallocated £000	Total £000
Segment assets	9,623	23,451	11,896	44,970
Segment liabilities	(3,570)	(16)	(177)	(3,763)
Total net assets	6,053	23,435	11,719	41,207
Depreciation, amortisation and impairment	421	2,016	-	2,437
Capital expenditure	-	-	-	-
Capitalised development costs	3,173	-	-	3,173

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

Notes (continued)

for the six months ended 30 June 2018

5. Operating costs – selling, general and administrative expenses

Operating costs are comprised of:

	Six months ended 30 June 2018 (unaudited) £000	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2017 (audited) £000
Selling costs	**2,575**	3,859	9,133
General and administrative expenses	**2,565**	2,742	5,152
Depreciation and amortisation	**1,161**	1,186	2,437
	6,301	7,787	16,722

6. 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; 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.

	Six months ended 30 June 2018 (unaudited) £000	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2017 (audited) £000
Phosphate Therapeutics Ltd. intellectual property amortisation	**918**	997	2,011
Share-based payments charge	**359**	193	560
	1,277	1,190	2,571

7. Loss per share

The basic loss per share of £0.07 (H1 2017: £0.09) has been calculated by dividing the loss for the period by the weighted average number of shares of 116,426,000 in issue during the six months ended 30 June 2018 (six months ended 30 June 2017: 108,223,000).

The basic adjusted loss per share of £0.06 (H1 2017: £0.08) has been calculated by dividing the adjusted loss for the period of £6,768,000 (H1 2017: £8,438,000), after adding back the exceptional items in Note 6, by the weighted average number of shares of 116,426,000 in issue during the six months ended 30 June 2018 (six months ended 30 June 2017: 108,223,000).

Although there are potentially-dilutive ordinary shares these would not serve to increase or reduce the loss per ordinary share, as the Group is loss-making. There is therefore no difference between the loss per ordinary share and the diluted loss per ordinary share.

Notes (continued)

for the six months ended 30 June 2018

8. Intangible assets

Group	Patents and trademarks £000	Development costs £000	Phosphate Therapeutics licences £000	Total £000
Cost				
Balance at 1 January 2017 (audited)	1,440	2,639	27,047	31,126
Additions – externally purchased	235	-	-	235
Additions – internally developed	-	3,173	-	3,173
Balance at 31 December 2017 (audited)	1,675	5,812	27,047	34,534
Additions – externally purchased	118	-	-	118
Additions – internally developed	-	2,589	-	2,589
Balance at 30 June 2018 (unaudited)	**1,793**	**8,401**	**27,047**	**37,241**
Accumulated amortisation				
Balance at 1 January 2017 (audited)	325	115	1,702	2,142
Charge for the period	92	327	2,012	2,431
Balance at 31 December 2017 (audited)	417	442	3,714	4,573
Charge for the period	32	207	918	1,157
Balance at 30 June 2018 (unaudited)	**449**	**649**	**4,632**	**5,730**
Net book values				
30 June 2018 (unaudited)	**1,344**	**7,752**	**22,415**	**31,511**
31 December 2017 (audited)	1,258	5,370	23,333	29,961

9. Share capital

	Six months ended 30 June 2018 Number 000	Six months ended 30 June 2018 £000	Year ended 31 December 2017 Number 000	Year ended 31 December 2017 £000
At beginning of period	**116,426**	**1,746**	108,135	1,622
Exercise of Warrants	**-**	**-**	7,194	108
Issuance of shares pursuant to placing	**-**	**-**	1,000	15
Issuance of shares pursuant to subscription	**-**	**-**	97	1
At end of period	**116,426**	**1,746**	116,426	1,746

On 28 June 2017 the Company issued an additional 1,000,000 Ordinary Shares to participants in a placing, raising gross proceeds of £1.5m. The placing was undertaken by means of a cash box structure. Consequently, relief was available under s612 of the Companies Act 2006 from recording share premium and the difference between net proceeds and the nominal value of shares issued was transferred to retained earnings. As part of the 2016 listing process 11,666,658 of Warrants were issued to participants in the placing. During June 2017 7,193,766 Warrants were exercised at a strike price of £1.50, raising gross proceeds of £10.8m. The remaining 4,472,892 Warrants lapsed at 30 June 2017. On 28 June 2017 the Company's directors and senior management subscribed to an issue of 96,669 Ordinary Shares, raising gross proceeds of £145,000. Expenses of £0.5m were incurred in the course of the exercise of Warrants, placing and subscription.