Acacia Pharma Group plc

Interim Results for the Six Months ended 30 June 2019

Cambridge, UK and Indianapolis, US – 5 September 2019: Acacia Pharma Group plc ("Acacia Pharma", the "Company" or the "Group"), (EURONEXT: ACPH), a pharmaceutical company developing and commercialising hospital products for US and international markets, announces its unaudited interim results for the six-month period ended 30 June 2019.

A conference call will take place today at 9:30am CEST. Mike Bolinder, CEO and Christine Soden, CFO will present the operational and financial results followed by a Q&A session (details below). The presentation is available on the Group's website in the Investors section (Financial Reports and Presentations).

Operating Highlights

- On-track to complete resubmission of NDA for BARHEMSYS® to the FDA later this month
  - FDA raised no concerns in the Complete Response Letters (CRLs) on clinical or safety data in the NDA
  - Alternative supplier of amisulpride has been qualified for nomination in the resubmission
- Anticipate Q1 2020 PDUFA target date assuming timely acceptance of NDA and a Class 2 resubmission
- Mike Bolinder appointed CEO in planned leadership succession
  - Previously served as the Group's Chief Commercial Officer having joined in 2015 as VP of Marketing
  - Formerly held senior commercial roles at Mallinckrodt, Cadence and Eli Lilly
- Good operational progress in creating awareness of clinical needs in PONV
  - US team in place and laying a solid foundation for launch
  - Phase 3 clinical study results of BARHEMSYS in PONV published in leading peer-reviewed publications

Financial Highlights

(Note that the Group changed its presentation currency from Pounds Sterling to US dollars as of 1 January 2019)

- Cash and cash equivalents were $22.7m at 30 June 2019 (31 December 2018: $37.4m, 30 June 2018: $47.2m).
- Operating loss for the period increased to $12.8m (H1 2018: $6.3m) as the Group transitions from an R&D-led business towards the launch and commercialisation of BARHEMSYS
  - Sales and marketing costs for H1 2019 were up $6.8m to $8.1m (H1 2018: $1.3m) as a result of the addition of our new employees and activities.
  - G&A costs decreased $1.4m in H1 2019 to $2.2m (H1 2018: $3.6m). Previous year costs included an approximately $1.7m one-off expense incurred in bringing the Group to its Euronext listing in March 2018.
  - R&D costs in the H1 2019 increased to $2.5m (H1 2018: $1.5m) attributed to activities preparing the NDA for BARHEMSYS and progressing towards its launch
- Basic loss per share $0.2469 (H1 2018: $0.2213)

Mike Bolinder, CEO of Acacia Pharma, said: "We continue to focus our efforts on gaining regulatory approval for BARHEMSYS in the US and preparing for its commercialisation. We are pleased with the progress we are making towards delivering a complete response to the CRL which we anticipate should lead to a new PDUFA target date in Q1 2020. In parallel, our US commercial team continues to prepare for an expeditious launch next year. We are confident that BARHEMSYS, if approved, can

become a commercially successful product in the US based on the current significant unmet need in post-operative nausea and vomiting, and we look forward to bringing BARHEMSYS to the market as soon as possible."

Conference Call

A conference call will take place today at 09:30 CEST. Please dial in using the numbers below 5-10 minutes before the call starts.

Belgium Toll Free: 0800 746 68
Belgium: +32 (0) 2 792 0434
Netherlands Toll Free: 0 800 022 9132
Netherlands: +31 (0) 20 794 8426
UK Toll Free: 0808 109 0700
USA Toll Free: +1 866 966 5335
Standard International Access: +44 (0) 20 3003 2666

The call password is Acacia Pharma.

Contacts

Acacia Pharma Group plc Mike Bolinder CEO Christine Soden, CFO IR@acaciapharma.com	**+44 1223 919760**
Citigate Dewe Rogerson Mark Swallow, Shabnam Bashir, David Dible acaciapharma@citigatedewerogerson.com	**+44 20 7638 9571**

Glossary

PONV	Post-Operative Nausea and Vomiting
FDA	US Food and Drug Administration
NDA	New Drug Application
PDUFA	Prescription Drug User Fee Act

About Acacia Pharma

Acacia Pharma is a hospital pharmaceutical company focused on the development and commercialization of new nausea & vomiting treatments for surgical and cancer patients. The Group has identified important and commercially attractive unmet needs in nausea & vomiting and has discovered two product candidates based on the same active ingredient, amisulpride, to meet those needs.

The Group's lead project, BARHEMSYS® for post-operative nausea & vomiting (PONV), has generated positive results in four Phase 3 clinical studies. Its sister project, APD403 for chemotherapy induced nausea & vomiting (CINV), has successfully completed one proof-of-concept and one Phase 2 dose-ranging study in patients receiving highly emetogenic chemotherapy.

Acacia Pharma is based in Cambridge, UK and its US operations are centred in Indianapolis, IN. The Company is listed on the Euronext Brussels exchange under the under ISIN code GB00BYWF9Y76 and ticker symbol ACPH. www.acaciapharma.com

Forward looking statements

This announcement includes forward-looking statements, which are based on current expectations and projections about future events. These statements may include, without limitation, any statements preceded by, followed by or including words such as "believe", "expect", "intend", "may", "plan", "will", "should", "could" and other words and terms of similar meaning or the negative thereof. Forward-looking statements may and often do differ materially from actual results. These forward-looking statements are subject to risks, uncertainties and assumptions about the Company and its subsidiaries and investments, including, among other things, the development of its business, trends in its operating industry, and future capital expenditures and acquisitions. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, prospectus, growth or strategies and the industry in which it operates. Save as required by law or applicable regulation, the Company and its affiliates expressly disclaim any obligation or undertaking to update, review or revise any forward-looking statement contained in this announcement whether as a result of new information, future developments or otherwise. Forward-looking statements speak only as of the date they are made.

OPERATING REVIEW

I am delighted to present the first shareholder update since my appointment as CEO on 1 August this year. Having worked with Acacia Pharma for some four years, I am a passionate believer in the the commercial opportunity for our lead product candidate, BARHEMSYS, given the clear need for new options to treat the millions of patients who suffer from post-operative nausea and vomiting (PONV).

I would like to thank Julian Gilbert, our outgoing CEO, for the vision he showed in founding Acacia Pharma and the dedication he has demonstrated in advancing the Company over the last 12 years. I am pleased we can still access his expertise for the coming months.

As previously reported, we are making good progress in building our US commercial infrastructure and in raising awareness of the unmet needs in PONV to ensure an expeditious launch for BARHEMSYS and enable us to “hit the ground running” when our NDA is approved. We are on-track to complete resubmission of the NDA in Q3 2019, as we stated in July, and anticipate a new PDUFA target date in Q1 2020 and launch shortly thereafter if approved. The requirement to resubmit the NDA followed the receipt of a second Complete Response Letter (CRL) in May that identified continuing and unresolved deficiencies at the contract manufacturer of amisulpride, the active pharmaceutical ingredient used in BARHEMSYS.

It is important to note that in neither CRL did FDA raise concerns on any clinical or non-clinical data in the NDA.

Since October 2018, we have been qualifying an alternative manufacturer of amisulpride, as we work towards gaining approval of our NDA for BARHEMSYS. The new supplier has extensive experience both in manufacturing amisulpride and in producing APIs to the standards required by FDA. The supplier has also successfully undergone and passed regular inspections by regulatory authorities for compliance with current Good Manufacturing Practices (cGMP). Approximately 60% of the supplier’s production is currently destined for the US market, including the APIs for a number of products for intravenous and other parenteral use.

At a meeting with the FDA earlier this year, we agreed on a plan for resubmission of the NDA that would include this alternative suplplier of amisulpride. We are on-track to complete the NDA resubmission process in the coming weeks.

We now have an experienced team of 34 employees (around 30 on a full-time-equivalent basis) and they continue to plan for launch, liaising with key group purchasing organisations and integrated delivery networks and understanding large target accounts. While the Group remains on track with its launch readiness plan it has been necessary to restrict activities in order to preserve cash resources. Most employees have agreed to forego certain contractual terms in lieu of enhanced equity awards, as we focus on cash preservation.

Our initial commercialisation plans assumed we would recruit 60 hospital sales representatives immediately prior to launching the product. Encouragingly, the work we have undertaken over the last year shows we could, if necessary, launch with fewer field staff, which would reduce the cash needs of the business over the first 2-3 years following launch.

We are pleased to see significant support for our clinical studies through a series of publications in leading medical journals, which continues to give us confidence in the potential of BARHEMSYS to become a commercially successful product in the US based on the current significant unmet need in PONV. Furthmore, our intellectual property position continues to strengthen and should provide significant protection for BARHEMSYS for more than a decade post-launch, with the core patent having a term to at least 2031.

Clearly, the future success of the Group is dependent on receipt of approval of the NDA for BARHEMSYS. Moreover, as made clear during our IPO, we will need to secure additional financing through the issue of further equity or securing additional debt facilities to fund the US launch of BARHEMSYS and our post-launch needs as well as to advance our exciting clinical candidate APD403 in chemotherapy induced nausea & vomiting.

We would like to thank all our employees, directors, consultants and suppliers for the skills they have brought to our business. We believe we have all the tools and resources in place to conduct a first-class product launch once our NDA for BARHEMSYS is approved by FDA.

Mike Bolinder,
Chief Executive Officer

FINANCIAL REVIEW

Sales & marketing costs

As we transition from a research and development led business towards the launch and commercialisation of BARHEMSYS, our expenditures have shifted towards selling and marketing costs. Sales and marketing costs for the first half of 2019 were up $6.8m to $8.1m (H1 2018: $1.3m), as a result of the addition of our new employees and activities.

General & administrative costs

General and administrative costs decreased $1.3m in H1 to $2.2m (H1 2018: $3.5m). The previous period costs included approximately $1.7m of one-off expenses incurred during the Group's Euronext listing in March 2018. These one-off costs were offset in H1 2019 by increased costs associated with being a listed company.

Research & development (R&D) expenses

R&D activities have been focused on preparing the NDA and progressing towards its approval, and developing BARHEMSYS for launch. R&D costs in the first half of 2019 were $2.5m (H1 2018: $1.5m).

Operating loss

The operating loss for the period was $12.9m (H1 2018: $6.3m).

Financial expense/income

Net financial expense for the first half of 2019 was $0.6m (H1 2018: $1.8m). The financial expense in 2019 relates primarily to the interest payable on the Hercules Capital term loan. In the prior period, it also included dividends accruing on certain equity instruments, the financial expense on the term loan with Silicon Valley Bank and the interest on convertible loan notes. The equity instruments and convertible loan notes were converted into Ordinary Shares on 6 March 2018 resulting in a lower charge in H1 2019 than in H1 2018. The term loan with Silicon Valley Bank was repaid in June 2018.

A new term loan facility of up to $30 million was agreed on 29 June 2018 with Hercules Capital and $10 million drawn down. Access to the balance of the facility lapsed as a result of the delay in receiving approval of our NDA.

Taxation

The Group has claimed UK R&D tax credits in respect of prior years. The claim for 2018 has been estimated at $0.9m and for the first half of 2019, $0.4m. Given the uncertainty surrounding the timing of using tax losses, no deferred tax asset has been recognised.

Loss per share

Basic loss per share the first half of 2019 was $0.2469 (H1 2018: $0.2213), reflecting higher post-tax losses of $13.2m (H1 2018: $7.8m) and a significant increase of 18.1 million in the weighted average number of Ordinary Shares (H1 2019: 53.1 million average, H1 2018: 35.2 million) following the conversion of the various preferred shares, convertible loan notes and the new shares issued in March 2018.

Current assets

Current assets in the period decreased to $24.1m as at 30 June 2019 (31 December 2018 : $38.5m, 30 June 2018: $48.0m, 31 December 2017: $4.8m, with lower cash balances driven by the increase in expenditure in preparation for the NDA submission and the launch of BARHEMSYS. Current assets increased in H1 2018 with receipt of the proceeds of the March 2018 IPO.

Non-current liabilities

Non-current liabilities as at 30 June 2019 decreased to $6.3m (31 December 2018: $9.2m, 30 June 2018: $8.5m, 31 December 2017: $nil) due to planned loan repayments in H1 2020 falling as current liabilities.

Current liabilities

Current liabilities increased to $6.1m as at 30 June 2019 (31 December 2018: $5.1m, 30 June 2018: $1.5m, 31 December 2017: $28.8m) as a result of scheduled loan repayments in H1 2020. Current liabilities decreased significantly in H1 2018 as a result of the impact of settling the accrued finance charges for dividends on the equity instruments through the issue of Ordinary Shares in the IPO.

FINANCIAL REVIEW (CONTINUED)

Cash flow

Cash outflow from operating activities in H1 2019 increased to $14.4m (H1 2018: $6.2m) reflecting the increased levels of operating costs. Cash and cash equivalents were $22.7m at 30 June 2019 (31 December 2018: $37.4m, 30 June 2018: $47.2m, 31 December 2017: $4.1m).

Change of reporting currency to USD

In March 2018, Acacia Pharma announced the presentation currency of the Group would change from Pounds Sterling to US Dollars from 1 January 2019. This change is reflective of the position that from that point the majority of the Group's expected revenues and a significant proportion of its operating costs are denominated in USD. Additional detail on the change in currency is provided in note 15.

Christine Soden
Chief Financial Officer

Consolidated Statement of Comprehensive Income

	Note	**Six months ended 30 June 2019 Unaudited $'000**	Six months ended 30 June 2018 Unaudited $'000	Year ended 31 December 2018 Audited $'000
Continuing operations:				
Research and development expenditure		**(2,511)**	(1,450)	(5,031)
Sales and marketing expenses		**(8,103)**	(1,315)	(9,336)
Administrative expenses		**(2,235)**	(3,548)	(5,679)
Operating loss		**(12,849)**	(6,313)	(20,046)
Finance income	3	**274**	359	1,237
Finance expenses	4	**(896)**	(2,122)	(2,764)
Loss before income tax		**(13,471)**	(8,076)	(21,573)
Tax on loss	5	**352**	296	881
Loss and total comprehensive income for the period		**(13,119)**	(7,780)	(20,692)

Consolidated Statement of Financial Position

Registration number 05934843

	Note	30 June 2019 Unaudited $'000	30 June 2018 Unaudited $'000	1 January 2019 Audited $'000	31 December 2017 Audited $'000
Assets					
Non-Current Assets					
Right-of-use asset	8	**419**	-	459	-
Total Non-Current Assets		**419**	-	459	-
Current Assets					
Other receivables		**186**	122	229	208
Current income tax assets		**1,223**	744	874	471
Cash and cash equivalents	9	**22,729**	47,172	37,443	4,142
Total Current Assets		**24,138**	48,038	38,546	4,821
Total Assets		**24,557**	48,038	39,005	4,821
Equity and Liabilities					
Equity attributable to equity holders					
Called up share capital	10	**1,581**	1,575	1,581	1,074
Share premium account		**75,454**	75,356	75,454	5,575
Profit and loss account		**40,945**	66,990	54,064	74,770
Share based payment reserve		**1,880**	1,034	1,354	358
Merger reserve		**(106,625)**	(106,625)	(106,625)	(106,625)
Foreign currency translation reserve		**(1,081)**	(323)	(1,172)	851
Total Equity		**12,154**	38,007	24,656	(23,997)
Liabilities					
Non-current liabilities					
Loans and borrowings	11	**6,260**	8,500	9,202	-
Current liabilities					
Trade and other payables		**2,445**	994	4,584	1,354
Loans and other borrowings	11	**3,698**	537	563	27,464
		6,143	1,531	5,147	28,818
Total Liabilities		**12,403**	10,031	14,349	28,818
Total Equity and Liabilities		**24,557**	48,038	39,005	4,821

Consolidated Cash Flow Statement

	Note	**Six months ended 30 June 2019 $'000**	Six months ended 30 June 2018 $'000	Year ended 31 December 2018 $'000
Cash flows from operating activities:				
Cash used in operations	12	**(14,453)**	(6,213)	(15,863)
Income tax credit received		**-**	-	432
Net cash used in operating activities		**(14,453)**	(6,213)	(15,431)
Cash flows from investing activities:				
Interest received		**271**	61	246
Net cash generated from investing activities		**271**	61	246
Cash flows from financing activities:				
Proceeds of issuance of Ordinary Shares	10	**-**	49,379	49,379
Issue costs of Ordinary Shares	10	**-**	(2,281)	(2,281)
Repayments of lease liabilities		**(56)**	-	-
Loan proceeds	11	**-**	10,000	10,000
Costs of securing term loan	11	**-**	(644)	(644)
Loan repayments	11	**-**	(6,215)	(6,215)
Interest and fees paid on loans		**(504)**	(906)	(1,324)
Net cash generated from financing activities		**(560)**	49,333	48,915
Net increase / (decrease) in cash and cash equivalents		**(14,742)**	43,181	33,730
Cash and cash equivalents at beginning of the period		**37,443**	4,142	4,142
Effect of exchange rate movements on cash held		**28**	(151)	(429)
Cash and cash equivalents at end of the period	9	**22,729**	47,172	37,443

Statement of Changes in Equity

	Issued Share Capital $'000	Share Premium $'000	Profit and Loss account $'000	Merger reserve $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Total Equity $'000
Balance at 1 January 2018	**1,074**	**5,575**	**74,770**	**(106,625)**	**358**	**851**	**(23,997)**
Loss for the period	-	-	(7,780)	-	-	-	(7,780)
Exchange differences	-	-	-	-	-	(1,174)	(1,174)
Total comprehensive expense for the period	-	-	(7,780)	-	-	(1,174)	(8,954)
Warrants issued	-	-	-	-	327	-	327
Transactions with Owners							
Issue of Ordinary Shares	501	72,077	-	-	-	-	72,578
Costs of issue of Ordinary Shares	-	(2,296)	-	-	-	-	(2,296)
Employee share option scheme	-	-	-	-	349	-	349
Balance at 30 June 2018	**1,575**	**75,356**	**66,990**	**(106,625)**	**1,034**	**(323)**	**38,007**
Balance at 1 July 2018	**1,575**	**75,356**	**66,990**	**(106,625)**	**1,034**	**(323)**	**38,007**
Loss for the period	-	-	(12,912)	-	-	-	(12,912)
Exchange differences	-	-	-	-	-	(849)	(849)
Total comprehensive expense for the period	-	-	(12,912)	-	-	(849)	(13,761)
Transactions with Owners							
Issue of Ordinary Shares	6	98	-	-	-	-	104
Costs of issue of Ordinary Shares	-	-	-	-	-	-	-
Employee share option scheme	-	-	-	-	320	-	320
Balance at 31 December 2018	**1,581**	**75,454**	**54,078**	**(106,625)**	**1,354**	**(1,172)**	**24,670**
Balance at 1 January 2019	**1,581**	**75,454**	**54,078**	**(106,625)**	**1,354**	**(1,172)**	**24,670**
IFRS16 adjustment	-	-	(14)	-	-	-	(14)
Adjusted balance at 1 January 2019	**1,581**	**75,454**	**54,064**	**(106,625)**	**1,354**	**(1,172)**	**24,656**
Loss for the period	-	-	(13,119)	-	-	-	(13,119)
Exchange differences	-	-	-	-	-	91	91
Total comprehensive expense for the period	-	-	(13,119)	-	-	91	(13,028)
Transactions with Owners							
Issue of Ordinary Shares	-	-	-	-	-	-	-
Costs of issue of Ordinary Shares	-	-	-	-	-	-	-
Employee share option scheme	-	-	-	-	526	-	526
Balance at 30 June 2019	**1,581**	**75,454**	**40,945**	**(106,625)**	**1,880**	**(1,081)**	**12,154**

Notes

1. Summary of significant accounting policies

General information

Acacia Pharma Group plc is a public limited company incorporated and domiciled in England and Wales with registered number 09759376. The Company's registered office is The Officers' Mess, Royston Road, Duxford, Cambridge CB22 4QH.

The principal activity of the Company and its subsidiaries (together "the Group") is that of a pharmaceutical group which discovers, develops and commercialises lower risk pharmaceutical product opportunities within its therapeutic areas of interest.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not contain all of the information which International Financial Reporting Standards ("IFRS") would require for a complete set of annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018**.**

Comparative financial information

The comparative figures for the period ended 30 June 2018 do not constitute the Group's statutory accounts for that financial year. Statutory accounts for the year ended 31 December 2018, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and as issued by the International Accounting Standards Board, have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (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.

Accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2018, except for the changes described below.

- IFRS 16 'Leases' was issued by the IASB in January 2016, and was implemented by the Group from 1 January 2019. The impact is set out in note 15.
- IFRIC 23 'Uncertainty over income tax treatments' was issued by the IASB in July 2017 and was implemented by the Group from 1 January 2019. The effect was immaterial.

The Directors do not anticipate that the adoption of the Standards, Amendments and Interpretations where relevant, in future years will have a material impact on the Group's financial statements.

Change in the Group's presentation currency

With effect from 1 January 2019, the Group's presentation currency changed from Pounds Sterling to US Dollars, given that a significant majority of Group expenses are denominated in US Dollars. Future revenues and costs are expected to arise predominantly in US dollars, and the Directors believe that the presentation currency change will give investors and other stakeholders a clearer understanding of the Group's performance over time. Further information can be found in note 15.

Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Group and the Company will be able to meet their liabilities as they fall due for the foreseeable future.

Based on their current forecasts and plans, and taking into account existing cash and debt facilities, the Group and the Company will need to raise additional debt or equity financing in order to have sufficient funds to meet its cash requirements for at least the next 12 months. Planning is well progressed for an additional equity or debt raise but on hold, pending the outcome of the FDA approval for BARHEMSYS. However, FDA approval is not a necessarily a pre-requisite for raising the additional funds. There is, however, no guarantee that attempts to raise adequate additional financing on a timely basis will be successful.

The Directors are confident that it is appropriate to prepare these financial statements on the going concern basis. However, the ability to secure additional financing represents a material uncertainty, which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group or the Company were unable to continue as a going concern.

2. Segmental reporting

The Group has adopted IFRS 8, “Operating Segments”. IFRS 8 defines operating segments as those activities of an entity about which separate financial information is available and which are evaluated by the Chief Operating Decision Maker to assess performance and determine the allocation of resources. The Chief Operating Decision Maker has been identified as the Board of Directors.

The Directors are of the opinion that under IFRS 8 the Group has only one operating segment, being the development and commercialisation of intellectual property through direct sale of the protected products in the US and long-term licensing income elsewhere. The Board of Directors assess the performance of the operating segment using financial information which is measured and presented in a manner consistent with that in the financial information. The Group has no reportable operating segments separate from the Income Statement presented in this financial information.

3. Finance income

	6 months ended 30 June 2019 $'000	6 months ended 30 June 2018 $'000	Year ended 31 December 2018 $'000
Foreign exchange gains	**-**	298	992
Deposit account interest	**274**	61	245
	274	359	1,237

Foreign exchange gains arise primarily on intercompany balances and cash balances held in Pounds Sterling and Euros.

4. Finance expense

	6 months ended 30 June 2019 $'000	6 months ended 30 June 2018 $'000	Year ended 31 December 2018 $'000
Foreign exchange losses	**153**	-	695
Finance charges on convertible instruments	**-**	1,879	1,360
Finance charges on term loan	**721**	243	709
Interest expense on lease liabilities	**22**	-	-
	896	2,122	2,764

5. Taxation

Analysis of taxation credit in the period

	6 months ended 30 June 2019 $'000	6 months ended 30 June 2018 $'000	Year ended 31 December 2018 $'000
United Kingdom corporation tax	**352**	331	916
Adjustment relating to prior period	**-**	(35)	(35)
	352	296	881

The Company is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The amount included in the financial statements represents the estimated credit receivable by the Company for the year. The 2018 amounts have not yet been agreed with the relevant tax authorities.

6. Losses per share

	6 months ended 30 June 2019 $'000	6 months ended 30 June 2018 $'000	Year ended 31 December 2018 $'000
Loss for the financial period ($'000)	**(13,119)**	(7,780)	(20,692)
Weighted average number of Ordinary Shares (thousands)	**53,133**	35,152	44,094
Losses per ordinary share (cents)	**(24.69)**	(22.13)	(46.92)

Share options are anti-dilutive in each period for the purposes of the losses per share calculation and their effect is therefore not considered.

For the avoidance of doubt, this calculation is based on Ordinary Shares only.

7. Share–based payments

Awards made under long-term incentive and other arrangements

Share options are granted to Directors and employees over Ordinary Shares in Acacia Pharma Group plc. Prior to the IPO, options were awarded under the Acacia Pharma EMI Share Option Scheme (the EMI Scheme) and the Acacia Pharma Unapproved Share Option Scheme (the Unapproved Scheme). Following the IPO, new share options schemes were arranged, being the Acacia Pharma Group Performance Share Plan (the 'PSP') and the Company Share Option Plan (the 'CSOP').

Options granted under the Unapproved Scheme, the EMI Scheme and the CSOP have a fixed exercise price based on the market value of shares at the date of grant. Options granted under the PSP have a minimal or nil exercise price.

Options are usually conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date.

	Performance Share Plan		Company Share Option Plan		EMI plan		Unapproved		Total	
	Options number	Weighted average exercise price ($)	Options number	Weighted average exercise price ($)	Options number	Weighted average exercise price ($)	Options number	Weighted average exercise price ($)	Options number	Weighted average exercise price ($)
Outstanding at 1 January 2018	**-**	**-**	**-**	**-**	**3,247,616**	**0.15**	**977,497**	**1.69**	**4,225,113**	**0.51**
Granted in the period	833,875	0.00	-	-	-	-	-	-	833,875	0.06
Exercised during the year	-	-	-	-	(200,000)	0.26	-	-	(200,000)	0.26
Outstanding at 30 June 2018	**833,875**	**0.00**	**-**	**-**	**3,047,616**	**0.14**	**977,497**	**1.69**	**4,858,988**	**0.43**
Exercisable at 30 June 2018	-	-	-	-	3,047,616	0.14	977,497	1.69	4,025,113	0.52
Weighted average life remaining – 30 June 2018	**9.24**		**-**		**4.22**		**6.99**		**5.72**	
Outstanding at 1 July 2018	**833,875**	**-**	**-**	**-**	**3,047,616**	**0.11**	**977,497**	**1.25**	**4,858,988**	**0.43**
Granted in the period	564,000	0.00	44,444	1.35	-	-	-	-	608,444	0.13
Exercised during the year	-	-	-	-	(210,144)	0.51	-	-	(210,144)	0.03
Outstanding at 31 December 2018	**1,397,875**	**0.00**	**44,444**	**1.35**	**2,837,472**	**0.09**	**977,497**	**1.25**	**5,257,288**	**0.39**
Exercisable at 30 December 2018	-	-	-	-	2,837,472	0.09	977,497	1.25	3,814,969	0.52
Weighted average life remaining – 31 December 2018	9.41		9.97		4.00		6.48		5.95	

7. Share based payments (continued)

	Performance Share Plan		Company Share Option Plan		EMI plan		Unapproved		Total	
	Options number	Weighted average exercise price ($)	Options number	Weighted average exercise price ($)	Options number	Weighted average exercise price ($)	Options number	Weighted average exercise price ($)	Options number	Weighted average exercise price ($)
Outstanding at 1 January 2019	**1,397,875**	**-**	**44,444**	**-**	**2,837,472**	**0.11**	**977,497**	**1.25**	**4,858,988**	**0.43**
Granted in the period	355,000	0.00	-	-	-	-	-	-	355,000	0.00
Lapsed in the year	(156,500)	0.00	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	(6,215)	0.02	-	-	(210,144)	0.03
Outstanding at 30 June 2019	**1,596,375**	**0.00**	**44,444**	**1.35**	**2,831,257**	**0.09**	**977,497**	**1.25**	**5,257,288**	**0.39**
Exercisable at 30 June 2019	-	-	-	-	2,831,257	0.09	977,497	1.25	3,808,754	0.52
Weighted average life remaining – 30 June 2019	9.03		9.48		3.51		5.99		5.72	

8. Right of use asset

The Group leases office property in Indianapolis, for which the lease term is 5 years.

	Buildings $'000
Net carrying amount	
At 1 January and 30 June 2018	**-**
At 1 January 2019	**459**
At 30 June 2019	**419**
Depreciation expense for the period ended	
30 June 2018	**-**
30 June 2019	**40**

9. Cash and cash equivalents

The Company retains all cash on instant access accounts in Pounds Sterling, US Dollars and Euros.

	30 June 2019 $'000	30 June 2018 $'000	31 December 2018 $'000	31 December 2017 $'000
Pounds Sterling accounts	**711**	1,139	359	3,803
Euro accounts	**19**	484	377	4
US Dollar accounts	**21,999**	45,549	36,707	335
	22,729	47,172	37,443	4,142

10. Called up share capital

On 6 March 2018 the Company completed an IPO and was admitted to trading on Euronext Brussels. Immediately before the completion of the IPO, all of the existing S ordinary, A ordinary, B preferred, C preferred and D preferred shares were converted into Ordinary Shares on a one-for-one basis. In addition, Ordinary Shares were issued upon the conversion of the convertible loan notes and in settlement of the accrued finance charges on the A, B, C and D shares and the loan notes. The P shares were converted into 270 Ordinary shares.

Prior to their conversion into Ordinary Shares, A ordinary shares, B preferred shares, and C preferred shares were compound financial instruments. The equity element of these compound financial instruments was included in other reserves and the liability elements were as in note 11 below. The liability component of the P shares is immaterial and therefore the P shares were classified as equity in their entirety.

Upon the completion of the Global Offer, 11,111,111 Ordinary Shares were issued for cash at €3.60 per share, raising gross proceeds of €40 million or $49.6 million. Costs directly associated with the issue of shares of $2,293k were incurred. In H2 2018 210,144 Ordinary Shares were issued upon the exercise of share options, resulting in proceeds of $104k. In H1 2018 200,000 Ordinary Shares were issued upon the exercise of share options, resulting in proceeds of $50k. In H2 2018 210,144 Ordinary Shares were issued upon the exercise of share options, resulting in proceeds of $104k.

Share capital and premium	Ordinary Shares Number	Preference shares Number	Ordinary Shares $'000	Preference shares $'000	Share premium $'000
At 1 January 2018	**2,664,662**	**40,948,964**	**82**	**992**	**5,575**
Issue of Ordinary Shares in settlement of liabilities and anti-dilution and preference rights on A, B, C & D shares	5,171,495	-	143	-	15,612
Conversion of S, A, B, C & D shares to Ordinary shares	32,337,899	(32,337,899)	992	(992)	-
Cancellation of P shares	-	(8,611,065)	-	-	-
Issue of Ordinary Shares to holders of P shares on consolidation and conversion	270	-	-	-	-
Issue of Ordinary Shares on conversion of loan notes	1,633,624	-	45	-	7,148
Issue of Ordinary Shares for cash	11,111,111	-	308	-	49,271
Issue of Ordinary Shares upon exercise of share options	200,000	-	5	-	45
Issue costs	-	-	-	-	(2,293)
At 30 June 2018	**53,119,061**	**-**	**1,575**	**-**	**75,356**
Issue of Ordinary Shares upon exercise of options	210,144	-	6	-	98
At 31 December 2018	**53,329,205**	**-**	**1,581**	**-**	**75,454**
At 1 January 2019	**53,329,205**	**-**	**1,581**	**-**	**75,454**
Issue of Ordinary Shares upon exercise of options	6,215	-	-	-	-
At 30 June 2019	**53,335,420**	**-**	**1,581**	**-**	**75,454**

11. Loans and other borrowings

Term loans and convertible instruments

The term bank loan with Silicon Valley Bank was repaid in full on 27 June 2018.

A new term loan facility with Hercules Capital was drawn on 29 June 2018. The initial tranche drawn was $10 million and costs of $644k were incurred. The loan bears interest at the higher of 9.5% or the Wall Street Journal prime rate plus 4.5%, bears a final payment charge of 3.95% of the principal, and is interest only until January 2020. Thereafter the principal and interest on the loan will be repayable in 25 equal instalments. Warrants over 201,330 Ordinary Shares, exercisable at €3.22 per share, were issued to Hercules Capital as part of the terms of the loan facility. The later tranches of the $30 million facility were only automatically available subject to receiving FDA approval for BARHEMSYS by 30 April 2019.

Lease liability

Lease payments represent amounts payable by the Company for its office property.

	30 June 2019 $'000	30 June 2018 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000
Loans and other borrowings payable within one year				
Term bank loan, amounts payable within one year	**3,622**	537	450	6,995
Convertible loan notes	**-**	-	-	5,439
Liability component of convertible shares	**-**	-	-	15,030
Lease liability, amounts payable within one year	**76**	-	113	-
Total Loans and other borrowings payable within one year	**3,698**	537	563	27,464
Loans and other borrowings payable after one year				
Term bank loan, amounts payable after one year	**5,912**	8,500	8,867	-
Lease liability, amounts payable after one year	**348**	-	335	-
Total Loans and other borrowings payable after one year	**6,260**	8,500	9,202	-

12. Cash used in operations

	6 months ended 30 June 2019 $'000	6 months ended 30 June 2018 $'000	Year ended 31 December 2018 $'000
Loss before income tax	**(13,471)**	(8,075)	(21,573)
Adjustments for:			
Share-based payments	**526**	349	647
Depreciation	**40**	-	-
Foreign exchange (gain)/loss	**153**	(298)	(910)
Finance expense	**743**	2,122	2,764
Finance income	**(274)**	(61)	(327)
Changes in working capital			
- (Increase) / decrease in other receivables	**(13)**	83	(199)
- Increase / (decrease) in trade and other payables	**(2,157)**	(333)	3,735
Cash used in operations	**(14,453)**	(6,213)	(15,863)

13. Related party disclosures

The Company's Chief Medical Officer, Gabriel Fox, is connected to a director of Comedica Ltd, which during the year provided consulting services to the Company. The cost of these services was $5,878 (30 June 2018: $23,174; 31 December 2018: $28,680). The amount outstanding at the period end was $nil (30 June 2018: $1,043; 31 December 2018: $3,712

14.Principal risks and uncertainties

We have considered the principal risks and uncertainties faced by the Group for the remaining six months of the year and do not consider them to have changed from those set out in the Acacia Pharma Group plc 2018 Annual Report and Accounts, available from the Group's website at www.acaciapharma.com.

15. Changes in accounting policies

Change in presentation currency

Following the change in accounting policy in relation to presentation currency, the comparatives in the condensed consolidated interim financial statements are represented in US Dollars using the procedures outlined below:

- Assets and liabilities were translated into US Dollars at closing rates of exchange. Trading results were translated into US Dollars at the rates of exchange prevailing at the dates of transaction or average rates where these are a suitable proxy. Differences resulting from the retranslation on the opening net assets and the results for the period have been taken to foreign currency translation reserve, a component within shareholders' equity.
- Share capital, share premiums and other reserves were translated at historic rates prevailing at the dates of transactions.
- All exchanges rates used were extracted from the Group's underlying financial records.

Foreign currency translation reserve was set to zero as of 1 January 2015, the transition date to IFRS. Cumulative currency translation adjustments are presented as if the Group had used US Dollars as the presentation currency of its consolidated financial statements since that date.

The exchange rates used were as follows:

GBP / USD	FY2018	HY2018	FY2017	FY2016	FY2015	FY2014
Average rate	1.336056	1.381137	1.287513	1.350331	1.158022	-
Closing rate	1.273723	1.320829	1.349164	1.234100	1.482140	1.556723

IFRS16 - Leases

As indicated in note 1 above, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9.75%.

15. Changes in accounting policies (continued)

IFRS16 – Leases (continued)

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

(ii) Measurement of lease liabilities

	2019 $'000
Operating lease commitments disclosed at 31 December 2018	608
Less: (short-term leases not recognised as a liability)	(27)
	581
Discounted using the lessee's incremental borrowing rate at the date of initial application of 9.75%	448
Lease liability recognised at 1 January 2019	**448**

of which:

Current lease liabilities	113
Non-current lease liabilities	335
	448

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets: increased by $459k
- Prepayments and other receivables: decreased by $168k
- Lease liabilities – increased by $448k
- Accruals – decreased by $143k

The net impact on retained earnings on 1 January 2019 was a decrease of $14k.