16 April 2018

Avacta Group plc
("Avacta", the "Company" or the "Group")

Interim Results for the Period Ended 31 January 2018

Avacta Group plc (AIM: AVCT), the developer of Affimer® biotherapeutics and research reagents, announces its unaudited interim results for the period ended 31 January 2018.

Operating highlights

Affimer Therapeutics

- Strong progress with in-house programmes:
    - Lead PD-L1 programme: on-track to deliver several key pre-clinical milestones in 2018.
    - Excellent progress with second immuno-oncology programme, a LAG3 blockade, which can be combined with PD-L1 for improved efficacy.
    - Discovery programme continues to deliver a pipeline of Affimer binders to other important immuno-oncology targets for future partnering or development.
    - Very positive pharmacokinetic data obtained in mouse for Affimer XT™ half-life extension platform.
    - Continued platform validation and de-risking through completion of a number of in-vitro data packages.
- Solid progress with partners:
    - Positive outcome of initial trial with Glythera Ltd. leading to a new drug development partnership for Affimer drug conjugates.
    - Research collaboration with FIT Biotech Oy established to demonstrate effectiveness of the combined technologies for gene delivered Affimer therapeutics: data expected shortly.
    - Moderna research collaboration has a natural three-year termination date at the end of May 2018 and the Group anticipates delivering Affimer assets to Moderna for development by that date or under an extension to the agreement.
    - Continuing collaboration with Memorial Sloan Kettering Cancer Center CAR-T on proof-of-concept study: the Group continues to work to generate Affimer binders to the target of interest.
    - Collaboration established with OncoSec (NASDAQ: ONCS) on innovative gene delivery of therapeutic Affimers: third partnership to explore gene delivery with Affimers reflects significant interest received for this application.
- Experienced, Boston-based Vice President Therapeutics Business Development appointed.
- In discussion with multiple pharma and biotech regarding Affimer therapeutics opportunities. Pipeline of opportunities continues to grow across multiple applications.

Affimer Research and Diagnostics Reagents

- Focus on licensing opportunities for reagents in pharma, biotech, diagnostic and research markets: progress has been made with multiple third-party technology evaluations and we are expecting further licensing deals in 2018.
- Business development team established in US with personnel on both the east (Philadelphia) and west coasts (San Diego).
- Very strong growth in public validations of Affimer technology by third parties:

- Record period for publication of third party peer reviewed scientific papers using Affimers including articles in high quality journals such as Nature, Molecular Cell and the Proceedings of the National Academy of Sciences of the USA.
- Covance presented Affimer data at an international conference and webinar that has helped to generate a number of custom Affimer reagent projects with large pharma.
- Heptares provided a testimonial for use in business development meetings regarding their experience of using Affimers with GPCRs, an important class of drug target.

- Substantial progress in generating more applications data packs (affinity separation, immunoassays) and in developing new applications, such as immunohistochemistry, that are important in supporting marketing efforts.

Financial highlights

- Half year revenues increased 16% to £1.5m (£1.3m FY17) comprising of £0.7m (£0.5m FY17) from Avacta Life Sciences and £0.8m (£0.8m FY17) from Avacta Animal Health.
- Operating loss £4.5m (£3.9m FY17), with research and development costs increasing to £1.5m (£1.3m FY17).
- Reported loss £3.9m (£3.4m FY17).
- Cash balances £8.3m (£13.2m 31 July 2017).

Post-period highlights

- Rapid progress made in second therapeutic programme, a LAG-3 inhibitor, such that the Group is confident to leap-frog the planned clinical trials for a PD-L1 inhibitor on its own and, on a similar timescale, aim for first-time-in-human clinical data for a PD-L1/LAG-3 combined therapy – a potentially much more valuable asset.

Alastair Smith, Chief Executive Officer, commented:

"The Group has delivered strongly against the objectives set out in 2015 when it raised funds to initiate an Affimer drug development programme and to begin commercialisation of Affimer reagents.

We remain focused on the key objective of generating clinical data for our lead Affimer therapeutic programme. This first-time-in-human data is a significant value inflection point for the technology and a major de-risking point from a partnering perspective. Whilst we progress towards the clinic in 2020, the Group will continue to build-out a potentially transformative pipeline of assets in immuno-oncology. Avacta is confident that partnerships can be established for assets in this pipeline before the technology is in the clinic, but we also believe that the value of these deals will rise markedly when the first Affimer human clinical data is obtained.

We will continue to grow the Affimer reagents revenue during this time period, with a focus on long term recurring royalty revenue rather than short term services income, with the objective of creating a potentially stand-alone business unit.

As a proven platform technology addressing multiple markets, the downside risk is low, with significant upside potential as we build a pipeline of valuable drug assets. Sanofi's recent acquisition of a clinical stage comparator to Avacta (Ablynx) for $5bn highlights the potential valuation of a clinical stage platform technology like Affimers with a pipeline of assets in development."

- Ends -

For further information from Avacta Group plc, please contact:

Avacta Group plc Alastair Smith, Chief Executive Officer Tony Gardiner, Chief Financial Officer	Tel: +44 (0) 844 414 0452 www.avacta.com
finnCap Ltd (Nominated Adviser and Joint Broker) Geoff Nash / Giles Rolls – Corporate Finance Tim Redfern / Alice Lane / Nikita Jain - Corporate Broking	Tel: +44 (0) 207 220 0500 www.finncap.com
WG Partners (Joint Broker) Nigel Birks / Nigel Barnes David Wilson / Claes Spang	Tel: +44 (0) 203 705 9318 Tel: +44 (0) 203 705 9217 www.wgpartners.co.uk
Zyme Communications (Trade and Regional Media) Katie Odgaard	Tel: +44 (0)7787 502 947 katie.odgaard@zymecommunications.com
Yellow Jersey PR (Financial Media and IR) Sarah Hollins	Tel: +44 (0)7764 947137 avacta@yellowjerseypr.com
Avacta Group plc Alastair Smith, Chief Executive Officer Tony Gardiner, Chief Financial Officer	Tel: +44 (0) 844 414 0452 www.avacta.com

About Avacta Group plc - www.avacta.com

Avacta's principal focus is on its proprietary Affimer® technology which is a novel engineered alternative to antibodies that has wide application in Life Sciences for diagnostics, therapeutics and general research and development.

Antibodies dominate markets worth in excess of $100bn despite their shortcomings. Affimer technology has been designed to address many of these negative performance issues, principally; the time taken to generate new antibodies, the reliance on an animal's immune response, poor specificity in many cases, and batch to batch variability. Affimer technology is based on a small protein that can be quickly generated to bind with high specificity and affinity to a wide range of protein targets.

Avacta has a pre-clinical biotech development programme with an in-house focus on immuno-oncology and bleeding disorders as well as partnered development programmes. Avacta is commercialising non-therapeutic Affimer reagents through licensing to developers of life sciences research tools and diagnostics.

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Chairman and Chief Executive Officer's Statement

Business Overview

The Affimer® technology is an alternative to antibodies with significant commercial and technical benefits that provide major competitive advantages in drug development and diagnostics. Avacta is targeting long-term, significant value generation through in-house and partnered Affimer therapeutic development programmes. The Group is also generating nearer term revenues from Affimer reagents for research and diagnostics with the aim of establishing a potentially stand-alone business unit with substantial royalty based income.

The Group has made excellent progress during the reporting period, and over the longer term, since it set out its plans for development of the Affimer platform in mid-2015 when it initiated its therapeutic development activities.

The following four key objectives for the Group were established in 2015:

1) Develop the first Affimer therapeutic candidate for clinical development.
2) Build a pipeline of therapeutic Affimers and enabling Affimer platform technologies for licensing or future in-house development.
3) Secure further Affimer therapeutic license/partnering deals.
4) Grow a custom Affimer revenue stream with the potential for long term royalties.

The Group is on track to enter the clinic for first-time-in-human trials of the Affimer platform in 2020 and now has ten programmes in the discovery pipeline at varying stages of progress, including a half-life extension technology based on Affimer binders to human serum albumin that is now a licensable platform in its own right. Collaborations and partnerships with several biotechs have been established and multiple discussions are now ongoing with large pharma and biotechs regarding Affimer therapeutic opportunities.

The growing *in vitro* and *in vivo* data packages are constantly improving the potential for substantial deal-making. Over the next two years, the Group anticipates that it will establish at least one significant drug development partnership with a large pharma based on the assets developed to date and the rapidly growing body of data demonstrating the power of the Affimer platform.

During the reporting period, the Group appointed Matthew Vincent, an industry veteran with 25 years experience, as Vice President Therapeutics Business Development and Strategy based in Boston, USA. This appointment has been accompanied by an expansion of the US business development team with the Group appointing business development executives on both the west and east coasts based in San Diego and Philadelphia. This expanded business development team reflects the growing business development activity and interest in the Affimer technology for both therapeutics and reagents.

The Group has also made excellent progress in establishing a revenue stream based on the non-therapeutic applications of Affimer technology. Affimer reagents are being evaluated by companies that are developing diagnostics, research assays and other products, and this pipeline of evaluations, that could lead to licensing deals or other revenue generating partnerships, has grown strongly in both quality and size. This pipeline is expected to bear fruit during 2018 and the Group is aiming to establish a significant number of license and supply deals for Affimer reagents by the end of 2020 with recurring royalty based revenue.

Progress Towards the Clinic

Summary: The Group continues to make good progress towards first-time-in-human clinical trials in 2020 as planned and, because of rapid progress in a second programme, intends to develop a combined PD-L1/LAG3 asset into the clinic on a similar time scale. This combined therapy will have much greater value than a PD-L1 blockade alone.

The focus of the Group's therapeutic programme is in immuno-oncology (I-O) and we have selected an inhibitor of PD-L1, one of the immune checkpoints, as the lead programme. An Affimer inhibitor of PD-L1 as a therapy on its own has limited commercial value because there are many antibody inhibitors of PD-L1 (or its binding partner PD-1) approved or in the clinic. However, PD-L1 is a relatively well understood I-O target and it was selected to minimize the risks in getting first-time-in-human data as quickly possible and, importantly, because PD-L1 will be the basis of future combined therapies with other I-O targets for Avacta and the sector as a whole.

The Group has now generated and characterized more than 50 Affimer inhibitors of PD-L1 and has selected its lead molecule for pre-clinical development which has similar potency to benchmark antibodies.

Recent substantial progress has also been made towards generating Affimer inhibitors of a second immune checkpoint called LAG-3. Progress has been sufficiently encouraging that the Group has now decided to leap-frog the first step of taking a simple PD-L1 inhibitor into the clinic to get safety and tolerability data, to take a PD-L1 / LAG-3 bispecific into the clinic. There are half a dozen pharma companies developing PD-1(PD-L1) / LAG-3 combinations. The Group believes that an Affimer bispecific against these two targets should have considerable potential for partnering as well as providing the human safety, tolerability and ultimately efficacy data that will enhance deal value for other Affimer assets in the pipeline.

Whilst there are potentially greater challenges in developing a bispecific compared with a simple PD-L1 inhibitor, the Group believes that broadly the same timeline can be achieved leading to phase I clinical data in 2020/21 and deliver a more valuable asset for partnering. The path to the clinic in 2020 involves completion of pre-clinical characterization of this lead molecule, IND-enabling studies, transfer of manufacturing to a contract manufacturer and a submission to the MHRA before end H1 2020.

Building a Pipeline of Valuable Drug Assets

Summary: Potentially transformative pipeline of assets for partnering is being built including an Affimer that can extend the time that other drugs spend in the blood stream that is widely applicable. The Group will focus its resources on PD-L1 and LAG3 Affimers and building small data packages around other assets to support business development and partnering.

The Group has made excellent progress in generating data that more broadly supports the Affimer platform such as formatting, expression, immunogenicity and serum stability. *In vivo* data (pharmacokinetics, efficacy) is seen as a critical de-risking step by potential partners and the Group will be generating more of that essential *in vivo* pharmacology data for the PD-L1 / LAG-3 bispecific programme and other assets in the pipeline during 2018/19.

As the generation of pre-clinical *in vivo* data and, in due course clinical data, de-risks and adds value to the Affimer technology as a platform, it is important that the Group builds a pipeline of assets for partnering, or further in-house development before partnering.

There are now ten programmes in the pipeline in addition to programmes associated with collaborations and partnerships. The Group does not have the resources to generate detailed *in vivo* pharmacology data for all of the in-house programmes and therefore will be focusing resources on PD-L1/LAG-3 and human serum albumin (Affimer XT™) half-life extension, and building smaller data packages around other assets, with the aim of generating partnerable assets as quickly as possible.

Drug Development Collaborations

Summary: As a platform technology, Affimers are broadly applicable in many different types of drug. The Group's strategy is to tightly focus its in-house resources on a small number of programmes and use partnerships in other drug areas to generate data through third parties that could lead to deals with large pharma. Gene delivery and drug conjugates are two areas in which the Group has received significant interest and has established partnerships.

The Affimer platform has the potential to deliver assets across a range of therapeutic modalities but the Group's resources are limited and therefore, collaborations play an important role in generating proof-of-concept data, with limited incremental in-house resource requirements, that might enable licensing deals with larger partners.

Avacta has a research partnership with Moderna Therapeutics ("Moderna") to provide Affimer molecules for mRNA delivery. The Group is working on a number of targets with Moderna with the objective of providing Affimers to Moderna that meet their specifications for mRNA ("gene") delivery for at least one of those targets during 2018. The initial research phase of the collaboration being carried out at Avacta has a natural termination date in late May 2018, by which time the Group anticipates that Moderna will select Affimers to take into their pre-clinical/clinical development pipeline, or that the companies will extend the research part of the agreement.

Avacta has received considerable interest in gene delivery applications – the delivery of a therapeutic Affimer protein by "injecting" the DNA recipe for the Affimer protein rather than the protein itself, such that the patient's own body then reads the DNA genetic code and makes the Affimer drug. The collaboration with Moderna is an example of gene delivery using RNA instead of DNA but it is based on the same principle. The patient benefits of gene delivery are potentially less frequent dosing, because the body is making the drug over a sustained period of time, and potentially improved efficacy in some applications. The commercial benefit is a substantially lower cost of goods.

During the reporting period, Avacta established two further collaborations in the area of gene delivery with OncoSec (NASDAQ: ONCS) and FIT Biotech Oy (FITBIO: FN Finland). The collaboration with OncoSec is expected to yield the first significant data late in 2018. The initial proof-of-concept study with FIT is expected to produce results within the next few weeks and the Group is hoping to see a sustained production of Affimer molecules over a period of weeks in animals "injected" with the Affimer DNA code.

Affimer molecules are also ideal for creating drug conjugates in which a chemical toxin is linked to an Affimer that is used to target the toxin into the tumor. The Group is collaborating with Glythera Ltd to generate *in vitro* and *in vivo* data packages for a drug conjugate using Glythera's linkers and toxins and using Affimers to target an undisclosed tumor marker. This follows a successful proof-of-concept study in which the two companies reported recently that Affimers could be efficiently conjugated with Glythera's novel linkers without loss of function. The two companies expect to report on progress around the end of 2018.

Affimer Research and Diagnostic Reagents

Summary: The Affimer technology has significant commercial and technical benefits in markets outside of therapeutics; diagnostics and research reagents for example. The Group is making good progress in securing licensing deals to generate long term recurring revenue through the sale by third parties of products containing Affimers instead of antibodies. Momentum is building strongly, third party validation of the technology is becoming public (e.g. Covance), and the Group anticipates further licensing deals in 2018.

The Group is commercialising the Affimer platform in non-therapeutic markets with lower regulatory hurdles based on a licensing business model. Affimer reagents may be used to develop products in a wide range of applications and as general research tools. Over the past two years, the Group has grown a revenue stream based on paid-for evaluations of bespoke Affimer reagents that have been generated for individual potential licensees in diagnostics and research markets, as well as for multiple pharma and biotech as research tools. These evaluations are intended to lead on to licensing of the Affimer for product development to ultimately deliver a royalty, based on the third party's sales, or recurring revenue through supply agreements.

The Group believes that the diagnostics market offers one of the most attractive opportunities for Affimer reagents, based on the high specificity that can be achieved, the stability and robustness of Affimer molecules and the low cost and high manufacturing consistency and security of supply. During 2017, the first significant product development license was agreed with one of the top three global diagnostics companies and this relationship has now expanded to additional diagnostics targets. Another one of the top three global diagnostics companies is now also evaluating the technology.

There are now over 25 evaluations of Affimer technology ongoing and the Group expects more of these to lead to longer term revenue-generating commercial arrangements throughout 2018 and into 2019. These evaluations cover the main application focus areas for the Group: diagnostics, separations and immunoassays.

The business development team has been expanded in the US to continue filling this pipeline of evaluations. The Group now has a business development presence on the east and west coasts of the US that targets non-therapeutic and therapeutic partners. Additionally, during the reporting period, the Group appointed a highly experienced biotech industry veteran, Matthew Vincent, to the position of Vice President Therapeutics Business Development and Strategy based in Boston. The business development activities in therapeutic and non-therapeutic applications is highly synergistic with multiple potential therapeutic opportunities now emerging because of Affimer reagents projects.

Applications data showing the performance of Affimer reagents in a range of applications is essential for business development. The recent acceleration in technology evaluations is due to the growing body of data that can be used to demonstrate the technology's performance. Substantial progress has been made during the reporting period in generating further data, particularly in the key application areas focused on by the Group, as well as in developing new applications, such as immunohistochemistry, to support future business development efforts. It is anticipated that this investment in applications development will continue at the current level for the foreseeable future as it is key to building the long term recurring revenue stream.

During the reporting period, there has also been strong growth in public third-party validation of Affimer technology. It has been a record period for publication of third party peer reviewed scientific papers using Affimers including articles in high-quality journals such as Nature, Molecular Cell and the Proceedings of the National Academy of Sciences of the USA.

Two commercial users of Affimer reagents have spoken publicly about the success that they have seen with the technology. Covance, part of LabCorp, one of the world's largest CROs, presented data at an international conference concerning Affimers that recognize antibodies very specifically rather than recognizing the general family of antibodies to which they belong. It is important for all antibodies in development that there are specific reagents available to detect them. The success with Covance is helping to generate a number of custom Affimer reagent projects with large pharma in this application, which in turn could lead to repeat business, supply deals or therapeutic collaborations.

The second company, Heptares, has provided a testimonial for use in business development meetings regarding its experience of using Affimers to bind to a class of drug target called GPCRs. It is not straightforward to find antibodies that bind members of this important class of drug targets and Affimers have been generated that bind the particular target of interest to Heptares without cross-reacting against other closely related targets.

Momentum is building strongly for Affimer technology in the non-therapeutic markets and the Group anticipates that this will lead to commercial arrangements with third parties during 2018/19 and onwards, which will be announced.

Avacta Animal Health

Before the acquisition of the Affimer technology IP in 2012 and subsequent focusing of the Group's investments in this area, the Group comprised two other businesses; Avacta Analytical was sold to US buyers in 2015 and Avacta Animal Health remains part of the Group.

Avacta Animal Health works alongside experienced veterinary experts, providing veterinary laboratory services and develops and delivers market leading diagnostic tests designed to help vets and owners care for their animals through more accurate diagnosis.

Development, delivery and support are all based in Yorkshire and the company seeks to provide a high quality, innovative and responsive service. The Group invests heavily in diagnostic tests which meet the following aims:

- Diagnostic performance that exceeds other available comparatives
- Validation and technical backing from leading experts
- Extensive practical application support, written and in person, for vets
- An on-going product development programme responding to client needs and feedback

During the reporting period, the Group has extended its allergy offering, providing a more complete allergy service to support vets through much of their work up process. In addition, work has commenced with Avacta Life Sciences to review the use of antibodies within our existing diagnostic tests and assess where Affimers can be used to improve performance and reduce cost in these tests.

Trading has been broadly level with last year with positive expectations for the second half of the year where the Group expects to see a strong performance in our allergy business. Our Pet Allergy Week, now in its fourth year, and the British Small Animal Veterinary Association meeting in early April 2018 form the basis of marketing efforts through Spring and early Summer along with a number of digital marketing initiatives. In February 2018, the Group also appointed an experienced General Manager to run the business, Mary Bronserud. Mary brings with her veterinary and broad commercial skills to help grow and develop the opportunities which exist within current markets and a wider geographic reach**.**

Financial Overview

Revenue for the six-month period ended 31 January 2018 increased 16% to £1.47 million (2017: £1.26 million).

Revenue contribution from the Group's Affimer business, Avacta Life Sciences, increased 50% to £0.69 million (2017: £0.46 million) whilst revenues from Avacta Animal Health, the allergy and diagnostic testing business, decreased marginally to £0.77 million (2017: £0.80 million).

Research and development costs from the expanding Affimer therapeutics programme, which are expensed through the income statement, increased to £1.48 million (2017: £1.28 million), as the Company continues to invest in the Affimer therapeutics programme.

Administration costs, which include costs associated with business development, operational delivery, administration, facilities, depreciation and share-based payment charges have increased to £4.00 million (2016: £3.50 million). The increase in costs reflects the growth in operations of Avacta Life Sciences, in particular the US business development team, as it scales up the resources required to deliver the Affimer business growth plans.

The Group's operating loss increased to £4.47 million (2017: £3.89 million) and the reported loss after taxation increased to £3.95 million (2017: £3.43 million).

The basic loss per share increased to 5.75p (2017: 5.01p).

The Group capitalised £0.90 million (2017: £0.71 million) of development costs, primarily relating to the Affimer technology reagents and diagnostics development programmes. These development costs are recognised within the total intangible asset value of £12.78 million (31 July 2017: £12.30 million).

There was a cash outflow from operations of £3.60 million (31 January 2017: £2.22 million) and a net inflow from investing activities of £2.67 million as funds were transferred from short term deposits (31 January 2017: inflow £3.83 million). The Group ended the period with £8.28 million net cash and short-term deposits (31 July 2017: £13.17 million).

Outlook

The Group has delivered strongly against the objectives set out in 2015 when it raised funds to initiate an Affimer drug development programme and to begin commercialisation of Affimer reagents.

The Group remains focused on the key objective of generating clinical data for our lead Affimer therapeutic programme. This first-time-in-human data is a significant value inflection point for the technology and a major de-risking point from a partnering perspective. Whilst we progress towards the clinic in 2020, the Group will continue to build-out a potentially transformative pipeline of assets in immuno-oncology. Avacta is confident that partnerships can be established for assets in this pipeline before the technology is in the clinic, but we also believe that the value of these deals will rise markedly when the first Affimer human clinical data is obtained.

The Group will continue to grow the Affimer reagents revenue during this time period, with a focus on long term recurring royalty revenue rather than short term services income, with the objective of creating a potentially stand-alone business unit.

As a proven platform technology addressing multiple markets, the downside risk is low, with significant upside potential as we build a pipeline of valuable drug assets. Sanofi's recent acquisition of a clinical stage comparator to Avacta (Ablynx) for $5bn highlights the potential valuation of a clinical stage platform technology like Affimers with a pipeline of assets in development.

Dr Trevor Nicholls
Chairman
16 April 2018

Dr Alastair Smith
Chief Executive Officer
16 April 2018

Condensed consolidated income statement for the six-month period ended 31 January 2018

	Unaudited 6 months to 31 January 2018 £000	Unaudited 6 months to 31 January 2017 £000	Audited Year ended 31 July 2017 £000
Revenue	**1,466**	1,262	2,735
Cost of sales	**(458)**	(381)	(941)
Gross profit	**1,008**	881	1,794
Research and development costs	**(1,477)**	(1,277)	(2,597)
Administrative expenses	**(4,003)**	(3,495)	(7,178)
Operating loss	**(4,472)**	(3,891)	(7,981)
Finance income	**23**	64	88
Loss before taxation	**(4,449)**	(3,827)	(7,893)
Taxation	**500**	400	1,526
Loss and total comprehensive loss for the period attributable to equity shareholders	**(3,949)**	(3,427)	(6,367)
Loss per ordinary share:			
Basic and diluted	**(5.75p)**	(5.01p)	(9.31p)

All activities relate to the continuing operations of the Group.

Condensed consolidated balance sheet at 31 January 2018

	Unaudited As at 31 January 2018 £000	Unaudited As at 31 January 2017 £000	Audited As at 31 July 2017 £000
Non-current assets			
Intangible assets	**12,775**	11,930	12,299
Property, plant & equipment	**3,390**	3,708	3,453
	16,165	15,638	15,752
Current assets			
Inventories	**181**	213	158
Trade and other receivables	**1,639**	1,130	1,277
Income taxes	**1,700**	1,100	1,200
Short-term deposits	**-**	5,000	4,000
Cash and cash equivalents	**8,275**	11,132	9,166
	11,795	18,575	15,801
Total assets	**27,960**	34,213	31,553
Current liabilities			
Trade and other payables	**(1,443)**	(1,258)	(1,324)
Contingent consideration	**(340)**	(340)	(340)
Total liabilities	**(1,783)**	(1,598)	(1,664)
Net assets	**26,177**	32,615	29,889
Equity attributable to equity holders of the Company			
Share capital	**6,975**	6,916	6,917
Share premium	**767**	626	633
Capital reserve	**1,899**	1,899	1,899
Other reserve	**(1,729)**	(1,729)	(1,729)
Reserve for own shares	**(2,802)**	(2,651)	(2,651)
Retained earnings	**21,067**	27,554	24,820
Total equity	**26,177**	32,615	29,889

Total equity is wholly attributable to equity holders of the parent Company.

Approved by the Board and authorised for issue on 16 April 2018.

Dr Alastair Smith — **Chief Executive Officer**

Tony Gardiner — **Chief Financial Officer**

Condensed consolidated statement of changes in equity as at 31 January 2018

	Unaudited Share Capital	Unaudited Share premium	Unaudited Other reserve	Unaudited Capital reserve	Unaudited Reserve for own shares	Unaudited Retained earnings	Unaudited Total Equity
	£000	£000	£000	£000	£000	£000	£000
At 1 August 2016	6,915	621	(1,729)	1,899	(2,651)	30,801	35,856
Issue of shares	1	5	-	-	-	-	6
Total comprehensive loss for the period	-	-	-	-	-	(3,427)	(3,427)
Share based payment charges	-	-	-	-	-	180	180
At 31 January 2017	6,916	626	(1,729)	1,899	(2,651)	27,554	32,615
Issue of shares	1	7	-	-	-	-	8
Total comprehensive loss for the period	-	-	-	-	-	(2,940)	(2,940)
Share based payment charges	-	-	-	-	-	206	206
At 1 August 2017	6,917	633	(1,729)	1,899	(2,651)	24,820	29,889
Issue of shares	35	6	-	-	-	-	41
Own shares acquired	23	128	-	-	(151)	-	-
Total comprehensive loss for the period	-	-	-	-	-	(3,949)	(3,949)
Share based payment charges	-	-	-	-	-	196	196
At 31 January 2018	**6,975**	**767**	**(1,729)**	**1,899**	**(2,802)**	**21,067**	**26,177**

Condensed consolidated statement of cash flows for the six-month period ended 31 January 2018

	Unaudited 6 months to 31 January 2018 £000	Unaudited 6 months to 31 January 2017 £000	Audited Year ended 31 July 2017 £000
Cash flow from operating activities			
Loss for the period	**(3,949)**	(3,427)	(6,367)
Amortisation	**387**	258	651
Depreciation	**535**	493	932
Loss on disposal of property, plant and equipment	**-**	-	11
Equity settled share based payment charges	**196**	180	386
Financial income	**(23)**	(64)	(88)
Income tax credit	**(500)**	(400)	(1,526)
Operating cash outflow before changes in working capital	**(3,354)**	(2,960)	(6,001)
Movement in inventories	**(23)**	55	110
Movement in trade and other receivables	**(362)**	(2)	(125)
Movement in trade and other payables	**121**	(98)	(58)
Operating cash outflow from operations	**(3,618)**	(3,005)	(6,074)
Finance income received	**23**	64	88
Income tax received	**-**	718	1,745
Cash flows from operating activities	**(3,595)**	(2,223)	(4,241)
Cash flows from investing activities			
Purchase of plant and equipment	**(434)**	(466)	(658)
Development expenditure capitalized	**(904)**	(706)	(1,470)
Decrease/(increase) in balances on short-term deposit	**4,000**	5,000	(6,000)
Net cash flow from investing activities	**2,662**	3,828	3,872
Cash flows from financing activities			
Proceeds from issue of new shares	**42**	6	14
Net cash flow from financing activities	**42**	6	14
Net (decrease)/increase in cash and cash equivalents	**(891)**	1,611	(355)
Cash and cash equivalents at the beginning of the period	**9,166**	9,521	9,521
Cash and cash equivalents at the end of the period	**8,275**	11,132	9,166

Notes to the condensed financial statements (unaudited) for the six-month period ended 31 January 2018

1) Basis of preparation

Avacta Group plc is a company incorporated in England and Wales under the Companies Act 2006.

The Board approved these interim financial statements for issue on 16 April 2018.

The interim financial information for the six months ended 31 January 2018 and the comparative financial information for the six months ended 31 January 2017 are unaudited. This information does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006.

The financial figures for the year ended 31 July 2017, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 31 July 2017 were prepared under IFRS and have been delivered to the Registrar of Companies. The auditors reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498 of the Companies Act 2006.

The Board confirms that to the best of its knowledge that the condensed set of financial statements have been prepared in accordance with IAS34 'Interim Financial Reporting' as adopted by the EU.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

In preparing the interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 31 July 2017.

The interim financial statements do not include all financial risk management information and disclosures required in annual financial statements. There have been no significant changes in any risk or risk management policies since 31 July 2017. The principal risks and uncertainties are largely unchanged and are as disclosed in the annual report and accounts for the year ended 31 July 2017.

The Group experiences no material variations in performance arising due to seasonality.

2) Significant accounting policies

The condensed consolidated financial statements have been prepared on the same basis of preparation and using the same accounting policies as set out in the last annual report and accounts and in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 (Interim Financial Reporting), as issued by the International Accounting Standards Board and adopted by the European Union.

3) Segmental reporting

The Group has two distinct operating segments; Life Sciences and Animal Health. These are the reportable operating segments in accordance with IFRS 8 (Operating Segments). The Directors recognize that the operations of the Group are dynamic and therefore this position will be monitored as the Group develops.

All revenues have been generated from continuing operations and are from external customers. The Central overheads, which primarily related to the operation of the Group function are not allocated to the operating segments.

	Unaudited 6 months to 31 January 2018 £000	Unaudited 6 months to 31 January 2017 £000	Audited Year ended 31 July 2017 £000
Revenue			
• Life Sciences	**692**	460	1,148
• Animal Health	**774**	802	1,587
	1,466	1,262	2,735
Proportion of revenue to destinations outside of the UK	**58%**	54%	54%

	Unaudited 6 months to 31 January 2018 £000	Unaudited 6 months to 31 January 2017 £000	Audited Year ended 31 July 2017 £000
Operating loss			
• Life Sciences	**(3,243)**	(2,758)	(5,519)
• Animal Health	**(247)**	(205)	(525)
• Corporate and other unallocated items	**(982)**	(928)	(1,937)
Operating loss	**(4,472)**	(3,891)	(7,981)
Finance income	**23**	64	88
Loss before taxation	**(4,449)**	(3,827)	(7,893)
Taxation	**500**	400	1,526
Loss for the period attributable to equity shareholders	**(3,949)**	(3,427)	(6,367)
Operating assets			
Life Sciences	**14,156**	12,302	12,776
Animal Health	**4,565**	4,394	4,213
Corporate and other unallocated items	**7,456**	15,919	12,900
Net assets	**26,177**	32,615	29,889

4) Earnings per share

	Unaudited 6 months to 31 January 2018	Unaudited 6 months to 31 January 2017	Audited Year ended 31 July 2017
Weighted number of Ordinary shares in issue	**68,661,584**	68,385,339	68,389,839
Loss for the period (£000)	**(3,949)**	(3,427)	(6,367)
Loss per Ordinary share:			
Basic and diluted (p)	**5.75**	5.01	9.31