

# **Midatech Pharma plc**

Interim Report

Six months ended 30 June 2015

Company Number 09216368

# Midatech Pharma plc

## Interim report and financial information for the six months ended 30 June 2015

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Midatech Pharma plc, the international specialty pharmaceutical company with a diversified portfolio of high-value products in development, announces its results for the six months ended June 2015

### OPERATIONAL HIGHLIGHTS

Offer, negotiation and agreement to acquire DARA Biosciences, Inc. in the US

Positive results in a proof-of-concept in vivo study for our OpsiSporin sustained release treatment for uveitis

Approval and site initiation of our Phase IIa transbuccal Insulin (MidaForm™) clinical trial

Commissioning of new laboratories and offices at our Head Office site in Abingdon

Three new collaborations signed

Commencement of product candidate testing in vivo for glioblastoma

### FINANCIAL HIGHLIGHTS

#### **£324k**

Revenue grew from £36k in the six months to June 2014 to £324k (up 800%)

#### **£3,768k**

Administrative expenses increased from £1,862k in the six months to June 2014 to £3,768k (up 102%)

#### **£1,822k**

Research and development costs increased from £1,260k in the six months to June 2014 to £1,822k (up 45%)

#### **£4,983k**

Net cash outflow from operating activities (before changes in working capital) was £4,983k, up 70% from £2,923k in the six months to June 2014. The cash balance at 30 June 2015 stood at £24.34m.

#### **18p**

Loss per share decreased by 54% from 39p in the six months to June 2014 to 18p

# Midatech Pharma plc

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### CHAIRMAN'S STATEMENT

#### Introduction

After the great strides made during 2014 that culminated in the successful IPO and acquisition of Q Chip Limited (since renamed Midatech Pharma (Wales) Limited), 2015 has seen the Group continue to deliver on its strategy with significant developments made in each of the Group's three business model components: partnering, development of its wholly-owned pipeline and acquisitions. Midatech has also successfully advanced its pipeline across its three areas of therapeutic focus; oncology, ophthalmology/neuroscience and diabetes.

February 2015 saw the announcement of positive results in a proof-of-concept *in vivo* study for our OpsiSporin sustained release treatment for uveitis, a serious eye condition. This was closely followed in March with the announcement of a research collaboration agreement between our MidaSol™ Therapeutics LP diabetes joint venture and a major international pharmaceutical company, exploring needle-free delivery of an existing, marketed diabetes drug. A further research collaboration was announced in April with the Dana-Farber Cancer Institute, a principal teaching affiliate of Harvard Medical School, one of the US's premier cancer centres, in the area of targeted nano-medicines for the treatment of glioblastoma brain cancer. The Group's continued activity in forming research collaborations demonstrates the growing interest in companies and institutions working with our technology platforms to develop innovative therapies.

In June we were delighted to announce the proposed acquisition of DARA BioSciences, Inc. ("DARA") a US based, oncology supportive care business that we believe will accelerate Midatech's transition towards becoming a leading specialty pharmaceutical company. DARA provides an excellent strategic fit and strengthens Midatech's franchise in oncology giving immediate access to a revenue generating product portfolio in cancer supportive care. The proposed acquisition will provide Midatech with an established commercial platform in the US, which, assuming its self-developed oncology products, including Q-Octreotide, are approved, will enable the Group to distribute, market and sell directly in the world's largest and most profitable pharmaceutical market.

The DARA acquisition is expected to complete in Q4 2015 and will reaffirm Midatech's commitment to build on its diverse and balanced product pipeline by acquiring later stage assets within the chosen therapeutic areas. The acquisition is also expected to reduce the loss per share.

#### Overview of results and guidance

Results for the six month period have been good and are in-line with expectations. Top-line revenue of £324k is significantly up on the corresponding period in 2014 and we are working towards the Group meeting market forecasts for the full year. Expenses and cash spend before the impact of the DARA acquisition have also been consistent with market expectations.

#### Board and employees

During the first six months of 2015 Midatech has made a number of important new hires, recruiting highly experienced individuals in key areas including Head of Regulatory, Head of Chemistry and Head of Pre-Clinical Development. These new employees significantly enhance Midatech's executive capabilities particularly in bringing our pipeline products to market.

Jeff Brown stepped down from the Board in April. I would like to thank him again for his contribution over the years.

# Midatech Pharma plc

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### CHAIRMAN'S STATEMENT *(continued)*

#### Outlook

The outlook for the remainder of 2015 and beyond is encouraging. We believe that our recently announced agreement with Ophthotech will underpin a significant amount of market forecasts for full year revenue. There are also a number of pre-clinical studies in other disease areas that will read out over the remainder of the financial year thereby building value across the Midatech pipeline. Our Phase IIa insulin study commenced in July and is expected to complete around the end of the year. By continuing to leverage our platform technologies and significant value-creating expertise as a management team, we look forward to continued delivery on our strategy to create a world-class specialty pharmaceutical business.

**Rolf Stahel**  
Chairman

# Midatech Pharma plc

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### CHIEF EXECUTIVE OFFICERS REVIEW

The first half of 2015 has seen a great deal of activity in the different areas of Midatech Pharma's business, and the key achievements are highlighted below:

- Completion of Q Chip integration process within three months of the acquisition.
- Fast-track investment in Q-Octreo and Opsisporin, the lead programmes derived from the technology acquired with Q Chip, with encouraging results.
- Approval and first patient treated in our Phase IIa transbuccal Insulin (MidaForm™) clinical trial.
- Offer, negotiation and agreement in principle to acquire DARA Biosciences, Inc. in the US, bringing two growth products alongside commercial infrastructure in the world's largest pharmaceutical market.
- Three new collaborations signed in the six months, of which two are revenue earning and the third is a collaboration with Dana-Farber Cancer Institute in Boston.
- Commencement of product candidate testing *in vivo* for glioblastoma with Dana-Farber.
- Commissioning of new laboratories and offices at our Head Office site in Abingdon - reducing the number of sites from four to three, and improving internal communication.
- Commencement of the nanoparticle manufacturing scale-up work by the European consortium led by Midatech Pharma España, as funded by Horizon 2020.
- Revenue of £324k which has been building from Q1 to Q2 and we expect considerably higher revenues to be achieved in H2 2015, based on contracts already signed.

We have continued to invest in high quality people across the business and have attracted two senior executives from Shire.

The outlook for the second half of the year is buoyed by the recent signature of a fourth collaboration in 2015 with Ophthotech - a large US based biotech developing a number of products for the treatment of severe age related eye diseases. This agreement may extend over a number of reporting periods.

We also expect to close the DARA Acquisition in Q4 2015, subject to customary closing conditions, including the receipt of DARA shareholder approval and the commencement of trading of American Depositary Receipts on NASDAQ in the same period.

The Group is advancing well on the execution path of our three elements of strategy. The first strand, **partnerships**, continues to expand and attract new parties, the second, **own products**, continues to be developed with promising results to date, and the third, **acquisitions**, is on track as we look to deliver a second acquisition with DARA following on from the Q Chip deal which completed at the end of 2014.

Midatech Pharma will continue to build around these core strategic elements and will be looking to grow revenue swiftly over the next few years to reach break-even. We firmly believe that we are on the path to creating a world-class specialty pharmaceutical business.

**Dr Jim Phillips**  
Chief Executive Officer

# Midatech Pharma plc

## Interim report and financial information for the six months ended 30 June 2015

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### FINANCIAL REVIEW

We report a positive set of results for the 6 months to June 2015 as Midatech Pharma plc reports its first interim financial information as a listed group.

#### Revenue

Revenue for the six months to 30 June 2015 was £0.32m, up significantly (800%) on the £0.04m generated in the corresponding period in 2014. This included revenue from two of the Group's significant grant funded programmes and milestone payments from collaborations in both of the Group's two platform technologies, gold nanoparticle drug conjugates and sustained release. The pro forma revenue for the six months to 30 June 2014, including revenue from the Midatech Pharma (Wales) Limited business prior to its acquisition, was £0.23m.

#### Research and development expenditure

Investment in research and development increased 45% from £1.26m in the six months to 30 June 2014 to £1.82m in the first six months of 2015 which saw a number of critical developments, including:

- Preparatory work on the MidaForm™ transbuccal insulin programme, being developed via our MidaSol™ joint venture, was completed prior to the commencement of its Phase IIa clinical trial in the second half of 2015.
- Oncology projects intended to develop targeted therapies for the treatment of glioblastoma and hepatocellular carcinoma were progressed.
- Completion of a successful pre-clinical study for our sustained release Opsisporin treatment for uveitis.
- Further development of our Q-Octreotide programme.

#### Administrative expenses

Administrative expenses increased 102% between the six month periods to 30 June 2014 and 2015 from £1.86m to £3.77m. This increase is a result of a number of movements including: £0.67m of expenses incurred with respect to the proposed acquisition of DARA BioSciences; significant changes to headcount between the periods following the restructuring of the business in 2014; and further recruitment in 2015. Also, during the first half of 2015, the Group moved into its new premises in Abingdon near Oxford, UK bringing together the Head Office function and nanoparticle research operations for the first time.

Administrative expenses during 2015 also included a charge of £0.09m in respect of share options granted at the time of the IPO in December 2014.

#### Intangible assets

The provisional values of the Midatech Pharma (Wales) Limited acquisition made on 8 December 2014, as presented in the 31 December 2014 statutory financial statements, were revised as they had originally been determined on a provisional basis at the date of the approval of the financial statements. The result of the revision was a reduction of goodwill by £0.66m, the reduction of acquired in-process research and development by £1.50m and the reduction of the acquired deferred tax liability of £2.11m. See note 8 for more details.

Subsequent to the approval and filing of the 2014 annual accounts, the Board and management of the Company became aware of circumstances that indicated that one of the intangible assets acquired with Midatech Pharma (Wales) Limited had become impaired as a result of a condition that existed at 31 December 2014. This condition resulted in a £1.80m non-cash impairment charge to research and development expenses and a deferred tax credit to income taxes of £0.36m which has been restated in the 31 December 2014 income statement and statement of financial position included herein.

# Midatech Pharma plc

## Interim report and financial information for the six months ended 30 June 2015

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### FINANCIAL REVIEW *(continued)*

#### Cash flows

Cash outflows from operating activities (before changes in working capital) in H1 2015 were £4.98m compared to £2.92m in H1 2014, reflecting the general increase in operating costs noted above. However the 2015 expenditure included £0.98m incurred in respect of the proposed DARA BioSciences acquisition and associated NASDAQ listing. £0.67m of spend relating to the acquisition has been charged to the income statement and a further £0.31m relating to the listing has been recorded against prepayments pending completion of the deal at which point it will be reported against share premium. Significant additional costs in respect of both the DARA acquisition and NASDAQ listing are expected to be incurred in the second half of the year.

These cash movements resulted in a period end cash balance as at 30 June 2015 of £24.34m compared to £1.87m at 30 June 2014 and £30.33m at 31 December 2014.

#### Capital expenditure

CAPEX between H1 2014 and H1 2015 increased substantially to £0.75m reflecting planned investment in facilities across all three of the Group's sites: Abingdon, Cardiff and Bilbao. The most significant areas of investment were in the new combined Head Office and laboratory facilities at Abingdon, UK and in the Group's manufacturing facility in Bilbao, Spain. This investment is now substantially complete and the expenditure was in line with expectations.

Since the successful IPO we have delivered on our strategy and continue to look to the future with confidence.

**Nick Robbins-Cherry**  
Finance Director

# Midatech Pharma plc

## Condensed consolidated unaudited statement of comprehensive income for the six month period ended 30 June 2015

	Note	Six months ended 30 June 2015 unaudited £'000	Six months ended 30 June 2014 unaudited £'000	(As restated) Year ended 31 December 2014 audited £'000
Revenue		324	36	157
Research and development costs		(1,822)	(1,260)	(5,439)
Administrative costs		(3,768)	(1,862)	(4,405)
<b>Loss from operations before listing and acquisition expenses</b>		<b>(4,592)</b>	<b>(3,086)</b>	<b>(8,752)</b>
Listing and acquisition expenses included in administrative costs		(674)	-	(935)
<b>Loss from operations</b>		<b>(5,266)</b>	<b>(3,086)</b>	<b>(9,687)</b>
Finance income		28	2	8
Finance expense		(12)	(90)	(161)
<b>Loss before tax</b>		<b>(5,250)</b>	<b>(3,174)</b>	<b>(9,840)</b>
Taxation		356	376	1,018
<b>Loss after tax attributable to the owners of the parent</b>		<b>(4,894)</b>	<b>(2,798)</b>	<b>(8,822)</b>
<b>Other comprehensive income:</b>				
<i>Items that will or may be reclassified subsequently to profit or loss when specific conditions are met:</i>				
Exchange (losses)/gains arising on translation of foreign operations		(60)	(20)	(151)
<b>Total other comprehensive income, net of tax</b>		<b>(60)</b>	<b>(20)</b>	<b>(151)</b>
<b>Total comprehensive loss attributable to the owners of the parent</b>		<b>(4,954)</b>	<b>(2,818)</b>	<b>(8,973)</b>
<b>Loss per share</b>				
Basic and diluted loss per ordinary share - pence	5	<b>(18p)</b>	<b>(39p)</b>	<b>(98p)</b>



# Midatech Pharma plc

## Condensed consolidated unaudited statement of financial position at 30 June 2015

	Note	Six months ended 30 June 2015 unaudited	Six months ended 30 June 2014 unaudited	(As restated) Year ended 31 December 2014 audited
		£'000	£'000	£'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	6	1,962	761	1,516
Intangible assets	7	13,104	3	13,094
Other receivables due in greater than one year		370	351	425
		<u>15,436</u>	<u>1,115</u>	<u>15,035</u>
<b>Current assets</b>				
Income tax receivable		1,196	374	841
Trade and other receivables	9	1,293	402	462
Cash and cash equivalents		24,343	1,868	30,325
		<u>26,832</u>	<u>2,644</u>	<u>31,628</u>
<b>Total assets</b>		<u>42,268</u>	<u>3,759</u>	<u>46,663</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings		1,410	2,219	1,488
Deferred tax liability	10	354	-	354
		<u>1,764</u>	<u>2,219</u>	<u>1,842</u>
<b>Current liabilities</b>				
Trade and other payables		3,093	780	2,341
Borrowings		283	1,330	491
		<u>3,376</u>	<u>2,110</u>	<u>2,832</u>
<b>Total liabilities</b>		<u>5,140</u>	<u>4,329</u>	<u>4,674</u>
<b>Issued capital and reserves attributable to owners of the parent</b>				
Share capital	11	1,001	-	1,001
Share premium		31,644	21,055	31,643
Merger reserve		37,776	-	37,776
Shares to be issued		800	1,451	800
Foreign exchange reserve		(69)	122	(9)
Accumulated deficit		(34,024)	(23,198)	(29,222)
		<u>37,128</u>	<u>(570)</u>	<u>41,989</u>
<b>Total equity</b>		<u>37,128</u>	<u>(570)</u>	<u>41,989</u>
<b>Total equity and liabilities</b>		<u>42,268</u>	<u>3,759</u>	<u>46,663</u>

# Midatech Pharma plc

## Condensed consolidated unaudited statement of cash flows for the six month period ended 30 June 2015

	Six months ended 30 June 2015 unaudited	Six months ended 30 June 2014 unaudited	(As restated) Year ended 31 December 2014 audited
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
Loss after tax	(4,894)	(2,798)	(8,822)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	191	106	321
Amortisation of intangible fixed assets	-	-	1
Impairment of IPRD	-	-	1,800
Loss on disposal of fixed assets	-	57	89
Share based payment expense	92	-	-
Net Interest (income)/expense	(16)	88	153
Taxation	(356)	(376)	(1,018)
<b>Cash flows from operating activities before changes in working capital</b>	<u>(4,983)</u>	<u>(2,923)</u>	<u>(7,476)</u>
(Increase)/decrease in trade and other receivables	(777)	426	761
Increase/(decrease) in trade and other payables	453	(107)	466
<b>Cash generated used in operations</b>	<u>(5,307)</u>	<u>(2,604)</u>	<u>(6,249)</u>
Taxes received	-	799	794
<b>Net cash used in operating activities</b>	<u>(5,307)</u>	<u>(1,805)</u>	<u>(5,455)</u>
<b>Investing activities</b>			
Purchases of property, plant and equipment	(733)	(240)	(1,030)
Cash equivalents acquired with subsidiary	-	-	115
Interest received	-	2	8
<b>Net cash used in investing activities</b>	<u>(733)</u>	<u>(238)</u>	<u>(907)</u>
<b>Financing activities</b>			
Interest paid	-	(2)	(48)
Payments to finance lease creditors	(11)	(24)	(48)
Repayment of borrowings	(34)	-	(346)
Issue of borrowings	102	99	890
Share issues net of costs	1	1,451	33,852
<b>Net cash generated from financing activities</b>	<u>58</u>	<u>1,524</u>	<u>34,300</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(5,982)</u>	<u>(519)</u>	<u>27,938</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>30,325</u>	<u>2,387</u>	<u>2,387</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>24,343</u></u>	<u><u>1,868</u></u>	<u><u>30,325</u></u>

# Midatech Pharma plc

## Condensed consolidated unaudited statement of changes in equity for the six month period ended 30 June 2015

	Share capital	Share premium	Merger reserve	Shares to be issued	Foreign exchange reserve	Accumulated deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2015</b>	<b>1,001</b>	<b>31,643</b>	<b>37,776</b>	<b>800</b>	<b>(9)</b>	<b>(29,222)</b>	<b>41,989</b>
Loss for the period	-	-	-	-	-	(4,894)	(4,894)
Foreign exchange translation	-	-	-	-	(60)	-	(60)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(60)</b>	<b>(4,894)</b>	<b>(4,954)</b>
<b>Transactions with owners</b>							
Issue of shares	-	1	-	-	-	-	1
Share based payment	-	-	-	-	-	92	92
<b>At 30 June 2015</b>	<b>1,001</b>	<b>31,644</b>	<b>37,776</b>	<b>800</b>	<b>(69)</b>	<b>(34,024)</b>	<b>37,128</b>
<b>At 1 January 2014</b>	<b>-</b>	<b>21,018</b>	<b>-</b>	<b>-</b>	<b>142</b>	<b>(20,400)</b>	<b>760</b>
Loss for the year	-	-	-	-	-	(2,798)	(2,798)
Foreign exchange translation	-	-	-	-	(20)	-	(20)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>(2,798)</b>	<b>(2,818)</b>
<b>Transactions with owners</b>							
Issue of shares	-	38	-	-	-	-	38
Cost of share issues	-	(1)	-	-	-	-	(1)
Shares to be issued	-	-	-	1,451	-	-	1,451
<b>At 30 June 2014</b>	<b>-</b>	<b>21,055</b>	<b>-</b>	<b>1,451</b>	<b>122</b>	<b>(23,198)</b>	<b>(570)</b>

# Midatech Pharma plc

## Condensed consolidated unaudited statement of changes in equity for the six month period ended 30 June 2015

	Share capital	Share premium	Merger reserve	Shares to be issued	Foreign exchange reserve	(As restated) Accumulated deficit	(As restated) Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2014</b>	-	21,018	-	-	142	(20,400)	760
Loss for the year	-	-	-	-	-	(8,822)	(8,822)
Foreign exchange translation	-	-	-	-	(151)	-	(151)
<b>Total comprehensive loss</b>	-	-	-	-	(151)	(8,822)	(8,973)
<b>Transactions with owners</b>							
Shares to be issued under rights issue in Midatech Limited	-	-	-	1,451	-	-	1,451
Issue of Midatech Limited shares - pre-share for share exchange	-	3,202	-	(1,451)	-	-	1,751
Transfer to merger reserve on the merger of Midatech Pharma PLC and Midatech Limited - 31 October 2014	-	(24,220)	24,220	-	-	-	-
Transfer of A Preference shares from liability to equity (28 October 2014) and subsequent conversion to Deferred shares - 8 December 2014	1,000	-	-	-	-	-	1,000
Issue of shares to settle A Preference share accrued dividend - 8 December 2014	-	994	-	-	-	-	994
Shares issued as consideration for a business combination - 8 December 2014	-	-	13,556	-	-	-	13,556
Shares to be issued as consideration for a business combination - 8 December 2014	-	-	-	800	-	-	800
Issue of shares on IPO - 8 December 2014	1	32,000	-	-	-	-	32,001
Costs associated with share placing	-	(1,351)	-	-	-	-	(1,351)
<b>Total contribution by owners</b>	<b>1,001</b>	<b>10,625</b>	<b>37,776</b>	<b>800</b>	<b>-</b>	<b>-</b>	<b>50,202</b>
<b>At 31 December 2014</b>	<b>1,001</b>	<b>31,643</b>	<b>37,776</b>	<b>800</b>	<b>(9)</b>	<b>(29,222)</b>	<b>41,989</b>

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2015

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### 1 Basis of preparation

The unaudited interim consolidated financial information for the six months ended 30 June 2015 has been prepared following the recognition and measurement principles of the International Financial Reporting Standards as adopted by the EU and in accordance with International Accounting Standard 34 Interim Financial Reporting ('IAS34'). The interim consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the audited statutory financial statements for the year ended 31 December 2014.

The condensed interim financial information contained in this interim statement does not constitute financial statements as defined by section 434(3) of the Companies Act 2006. The condensed interim financial information has not been audited. The financial information for the year ended 31 December 2014 is derived from the audited statutory financial statements for the year ended 31 December 2014 which have been restated as set out in note 8. The independent auditor's report was unqualified and did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006.

There are no new standards or interpretations applicable to the Group for the accounting period commencing 1 January 2015 for adoption.

In preparing the condensed interim financial information the Directors have considered the Group's financial projections, borrowing facilities and other relevant financial matters, and the Board is satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial information, the condensed financial information for the six month period were approved by the board on 11 September 2015.

### 2 Accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the audited statutory financial statements for the year ended 31 December 2014.

None of the newly applicable IFRS standards adopted by the EU and amendments had an impact on the Group's interim consolidated financial information.

Some of the significant accounting policies require management to make difficult, subjective or complex judgments or estimates. The policies which management consider critical because of the level of complexity, judgment or estimation involved in their application and their impact on the financial information are:

- Business combinations
- Impairment of goodwill and intangible assets not yet ready for use
- Share-based payments
- Income Taxes
- Intangible asset recognition

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2015

### 3 Taxation credit

Income tax is recognised or provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the Group Statement of Financial Position date. Research and development tax credits are recognised on an accruals basis and are included as an income tax credit under current assets. The research and development tax credit recognised is based on management's best estimate of the expected tax claim for the period.

### 4 Segment information

The Group contains two operating segments following the acquisition of Midatech Pharma (Wales) Limited. These entities meet the aggregation criteria because the operations are closely related in terms of the field of research, the commercial partners they are working with and overall operations. Consequently, they have been presented as a single reportable segment. The research and development activities involve the discovery and development of pharmaceutical products in the field of nanomedicine and sustained release technology.

#### *Information about major customers*

To date, modest sales have meant that no meaningful analysis can be drawn from the customer profile of the revenues achieved during each period under review.

#### *Non-current assets by location of assets*

Non-current assets of £1.12m (30 June 2014: £0.95m and 31 December 2014: £1.15m) reside in Spain. The remainder of the Group's non-current assets reside in the United Kingdom.

### 5 Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the period/year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year. As the Group made a loss for the period/year the diluted earnings per share is equal to the basic earnings per share.

	Six months ended 30 June 2015 unaudited £'000	Six months ended 30 June 2014 unaudited £'000	(As restated) Year ended 31 December 2015 audited £'000
<i>Numerator</i>			
Loss used in basic EPS and diluted EPS	(4,894)	(2,798)	(8,822)
<i>Denominator</i>			
Weighted average number of ordinary shares used in basic EPS	27,800,459	7,115,721	9,026,347
Basic and diluted loss per share - pence	(18p)	(39p)	(98p)

The loss per share presented for 30 June 2014 is based on the Midatech Limited weighted average number of shares in issue which has been adjusted to take account of the share division that took place on 28 November 2014 whereby each 0.01p Ordinary Share was sub divided into two 0.005p Ordinary Shares.

# Midatech Pharma plc

Notes forming part of the condensed consolidated unaudited interim financial information  
for the six month period ended 30 June 2015

## 6 Property, plant and equipment

	Fixtures and fittings	Leasehold improve- ments	Computer equipment	Laboratory equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 2015	1,219	880	326	972	3,397
Additions	167	273	72	236	748
Exchange differences	(111)	(85)	(16)	-	(212)
<b>At 30 June 2015</b>	<b>1,275</b>	<b>1,068</b>	<b>382</b>	<b>1,208</b>	<b>3,933</b>
<b>Accumulated depreciation</b>					
At 1 January 2015	496	479	271	635	1,881
Charge for the period	71	59	10	51	191
Exchange differences	(41)	(47)	(13)	-	(101)
<b>At 30 June 2015</b>	<b>526</b>	<b>491</b>	<b>268</b>	<b>686</b>	<b>1,971</b>
<b>Net book value</b>					
At 1 January 2015	723	401	55	337	1,516
<b>At 30 June 2015</b>	<b>749</b>	<b>577</b>	<b>114</b>	<b>522</b>	<b>1,962</b>
<b>Cost</b>					
At 1 January 2014	748	767	165	162	1,842
Additions	164	-	5	71	240
Exchange differences	(44)	(42)	(8)	-	(94)
Disposals	-	(105)	-	-	(105)
<b>At 30 June 2014</b>	<b>868</b>	<b>620</b>	<b>162</b>	<b>233</b>	<b>1,883</b>
<b>Accumulated depreciation</b>					
At 1 January 2014	430	495	118	115	1,158
Charge for the period	41	45	6	14	106
Exchange differences	(24)	(28)	(6)	-	(58)
Disposals	-	(84)	-	-	(84)
<b>At 30 June 2014</b>	<b>447</b>	<b>428</b>	<b>118</b>	<b>129</b>	<b>1,122</b>
<b>Net book value</b>					
At 1 January 2014	318	272	47	47	684
<b>At 30 June 2014</b>	<b>421</b>	<b>192</b>	<b>44</b>	<b>104</b>	<b>761</b>

# Midatech Pharma plc

Notes forming part of the condensed consolidated unaudited interim financial information  
for the six month period ended 30 June 2015

## 6 Property, plant and equipment (continued)

	Fixtures and fittings	Leasehold improve- ments	Computer equipment	Laboratory equipment	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2014	748	767	165	162	1,842
Additions	524	259	18	229	1,030
Acquired through acquisition of subsidiary	3	19	15	207	244
Exchange differences	(42)	(41)	(3)	-	(86)
Disposals	(31)	(124)	-	(15)	(170)
<b>At 31 December 2014</b>	<b>1,202</b>	<b>880</b>	<b>195</b>	<b>583</b>	<b>2,860</b>
At 1 January 2014	430	495	118	115	1,158
Charge for the year	102	67	24	128	321
Exchange differences	(22)	(33)	(2)	3	(54)
Disposals	(31)	(50)	-	-	(81)
<b>At 31 December 2014</b>	<b>479</b>	<b>479</b>	<b>140</b>	<b>246</b>	<b>1,344</b>
<b>Net book value</b>					
At 31 December 2014	723	401	55	337	1,516
At 31 December 2013	318	272	47	47	684



# Midatech Pharma plc

Notes forming part of the condensed consolidated unaudited interim financial information  
for the six month period ended 30 June 2015

## 7 Intangible assets

	In-process research and Development £'000	Goodwill £'000	IT/Website Costs £'000	Total £'000
<b>Cost</b>				
At 1 January 2015	12,600	2,291	12	14,903
Additions	-	-	11	11
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2015	12,600	2,291	23	14,914
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2015	1,800	-	9	1,809
Amortisation charge for the year	-	-	1	1
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2015	1,800	-	10	1,810
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>				
At 30 June 2015	10,800	2,291	13	13,104
At 1 January 2015	10,800	2,291	3	13,094
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Cost</b>				
At 1 January 2014 and 30 June 2014	-	-	12	12
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation</b>				
At 1 January 2014	-	-	8	8
Amortisation charge for the year	-	-	1	1
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2014	-	-	9	9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value</b>				
At 30 June 2014	-	-	3	3
At 1 January 2014	-	-	4	4
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Midatech Pharma plc

Notes forming part of the condensed consolidated unaudited interim financial information  
for the six month period ended 30 June 2015

7 Intangible assets <i>(continued)</i>	(As restated) In-process research and Development £'000	(As restated) Goodwill £'000	IT/Website Costs £'000	(As restated) Total £'000
<b>Cost</b>				
At 1 January 2014	-	-	12	12
Acquired in business combinations	12,600	2,291	-	14,891
	<u>12,600</u>	<u>2,291</u>	<u>12</u>	<u>14,903</u>
<b>At 31 December 2014</b>	<b>12,600</b>	<b>2,291</b>	<b>12</b>	<b>14,903</b>
	<u>12,600</u>	<u>2,291</u>	<u>12</u>	<u>14,903</u>
<b>Accumulated amortisation and impairment</b>				
At 1 January 2014	-	-	8	8
Amortisation charge for the year	-	-	1	1
Impairment charge for the year	1,800	-	-	1,800
	<u>1,800</u>	<u>-</u>	<u>9</u>	<u>1,809</u>
<b>At 31 December 2014</b>	<b>1,800</b>	<b>-</b>	<b>9</b>	<b>1,809</b>
	<u>1,800</u>	<u>-</u>	<u>9</u>	<u>1,809</u>
<b>Net book value</b>				
At 31 December 2014	10,800	2,291	3	13,094
At 31 December 2013	-	-	4	4
	<u>10,800</u>	<u>2,291</u>	<u>3</u>	<u>13,094</u>

## 8 Acquisition of Q Chip Limited - revised provisional values and restatement

On 8 December 2014, the Group acquired 100% of the voting equity of Q Chip Limited and its subsidiaries, a UK company principally involved in design and development of the Q-Sphera™ drug encapsulation and delivery system and underpinning microsphere manufacturing technology. On 20 January 2015 Q Chip Limited changed its name to Midatech Pharma (Wales) Limited. The principal reason for this acquisition was to strengthen the Group's technology and product portfolios, and thereby diversify risk through the following:

- a) Add controlled-release technology to Midatech gold nano-particle and portfolio;
- b) Expand the number of development projects; and
- c) Q-Chip's product portfolio offered Midatech a lower risk profile than Midatech's own technology thereby mitigating against potential future failure.

As disclosed in last year's Annual Report, the value of the identifiable net assets of Midatech Pharma (Wales) Limited had only been determined on a provisional basis due to a valuation carried out on certain assets not being finalised at the time the 2014 financial statements were issued. Had the valuation been finalised the 2014 financial statements would have differed to those previously reported as follows:

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2015

### 8 Acquisition of Q Chip Limited - revised provisional values and restatement (continued)

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are:

	Provisional fair value £'000	Adjustments to provisional values £'000	(As restated) Provisional fair value £'000
Identifiable intangible assets:			
In-process research and development	14,100	(1,500)*	12,600
Property, plant and equipment	244	-	244
Receivables and other debtors	314	-	314
Payables and other liabilities	(494)	-	(494)
Deferred tax	(2,820)	2,106**	(714)
Cash	115	-	115
	<hr/>	<hr/>	<hr/>
<b>Total net assets</b>	<b>11,459</b>	<b>606</b>	<b>12,065</b>
	<hr/>	<hr/>	<hr/>
Equity instruments (5,077,122 ordinary shares)	13,556	-	13,556
Deferred Equity instruments (299,624 deferred consideration shares held as shares to be issued)	800	-	800
	<hr/>	<hr/>	<hr/>
<b>Total consideration - non cash movement</b>	<b>14,356</b>	<b>-</b>	<b>14,356</b>
	<hr/>	<hr/>	<hr/>
<b>Goodwill on acquisition</b>	<b>2,897</b>	<b>(606)***</b>	<b>2,291</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

\* The fair value of the intangible fixed assets has reduced by £1.50m, with a corresponding increase in the cost of goodwill.

\*\*The deferred tax liability has reduced by £2.11m, due to the identification of tax losses available for offset and a reduction of the fair value of the identifiable intangible fixed assets of £1.5m, with a corresponding reduction in goodwill.

\*\*\*The net reduction in goodwill is £0.61m.

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as the assembled workforce of the acquired entity and the expected synergies of the enlarged Group which do not qualify for separate recognition.

The goodwill and intangible assets recognised will not attract tax deductions.

Furthermore, subsequent to the approval and filing of the 2014 annual accounts, the Board and management of the Company became aware of circumstances that indicated that one of the intangible assets acquired with Midatech Pharma (Wales) Limited had become impaired as a result of a condition that existed at 31 December 2014. This resulted in the following impact on the 31 December 2014 financial statements:

- The impairment of £1.80m of IPRD intangible assets through the income statement (see note 7)
- The release of £0.36m deferred tax credit to the income statement (see note 9).
- The combined impact of the restatement reduced net assets by £1.44m.



# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2015

### 11 Share Capital

The movements in equity securities during the 6 months period ended 30 June 2015 and 30 June 2014 and the 12 month year ended 31 December 2014 are set out below:

Date of Issue	Type of Share Issue	A					Deferred Shares Number	Total paid up £
		Ordinary Shares Number	Preference Shares Number	Preference Shares Number	Preference Shares Number	Preference Shares Number		
<b>30 June 2015</b>								
	As at 1 January 2015	27,794,258	-	-	-	1,000,001		
24 April 2015	Subscription option	16,500	-	-	-	-		
	<b>Total</b>	<b>27,810,758</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,001</b>		
	Nominal value per share	£0.00005p	-	-	-	£1		
	Fully paid up at 30 June 2015	£1,391	-	-	-	£1,000,001	<b>£1,001,392</b>	
<b>30 June 2014</b>								
	As at 1 January 2014	2,889,229	1,000,000	75,000	565,064	-		
30 January 2014	Equalisation round	39,853	-	-	-	-		
19 April 2014	Subscription option	244,881	-	-	-	-		
13 June 2014	Subscription option	8,250	-	-	-	-		
	<b>Total</b>	<b>3,182,213</b>	<b>1,000,000</b>	<b>75,000</b>	<b>565,064</b>	<b>-</b>		
	Nominal value per share	£0.0001p	£1	£1	£0.0001p	-		
	Fully paid up equity shares at 30 June 2014	£318	-	-	£57	-	<b>£374</b>	
	Fully paid up liability shares at 30 June 2014	-	£1,000,000	£75,000	-	-	<b>£1,075,000</b>	

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2015

Date of Issue	Type of Share Issue	Ordinary	A	B	C	Deferred	Total paid
		Shares	Preference	Preference	Preference		
		Number	Shares	Shares	Shares	Shares	up £
<b>2014</b>							
As at 1 January 2014		2,889,229	1,000,000	75,000	565,064		
30 January 2014	Equalisation round	39,853					
19 April 2014	Subscription option	244,881					
13 June 2014	Subscription option	8,250					
4 September 2014	Rights issue	105,314			511,738		
12 September 2014	Share redemption			(75,000)			
	<b>Total pre-share for share exchange - Midatech Limited</b>	<b>3,287,527</b>	<b>1,000,000</b>	<b>-</b>	<b>1,076,802</b>	<b>-</b>	
12 September 2014	Subscriber share - Midatech Pharma PLC	1					
13 November 2014	Share for share exchange	3,287,527	1,000,000		1,076,802		
13 November 2014	Sub-division of subscriber share	9,999					
28 November 2014	Warrant exchange share issue	628,356					
28 November 2014	Share conversion	(10,000)				1	
28 November 2014	Share conversion	1,076,802			(1,076,802)		
	<b>Total ordinary shares pre-subdivision</b>	<b>4,992,685</b>					
28 November 2014	Share sub division	9,985,370					
8 December 2014	Share issue on acquisition of Q Chip Limited	5,077,122					
8 December 2014	Public offering	11,985,019					
8 December 2014	Share conversion	746,747	(1,000,000)			1,000,000	
		<b>27,794,258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,001</b>	
	Nominal value per share	£0.00005p	-	-	-	£1	
	Fully paid up at 31 December 2015	£1,389	-	-	-	£1,000,001	<b>£1,001,391</b>

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2015

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### 12 Related party transactions and ultimate controlling party

#### Transactions with Monosol RX, LLC

The Directors consider Monosol RX, LLC to be a related party by virtue of the fact that Monosol RX, LLC is a shareholder of the company and a collaborative partner in the MidaSol Therapeutics joint operation. During the 6 months ended 30 June 2015 Midatech Limited recharged to Monosol RX, LLC £111,381 (6 month ended June 2014 £94,940 (Year ended 31 December 2014: £272,910) for research services.

The Directors do not consider that there is an ultimate controlling party.

### 13 Contingent liabilities

The Group had no material contingent liabilities at 30 June 2015, 30 June 2014 or 31 December 2014.

### 14 Events after the reporting date

#### Proposed acquisition of DARA BioSciences Inc.

On June 3, 2015, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with DARA BioSciences, Inc., a Delaware corporation (“DARA”), Merlin Acquisition Sub, Inc., a Delaware corporation and wholly owned subsidiary of Midatech (the “Merger Sub”), Duke Acquisition Sub, Inc., a Delaware corporation and wholly owned subsidiary of Midatech (the “Secondary Merger Sub”) and Shareholder Representative Services, LLC, a Colorado limited liability company, solely as a representative of the stockholders of DARA (the “Stockholder Representative”). The merger is subject to customary closing conditions, including the admission of Midatech Pharma onto the NASDAQ Capital Market, and there was incomplete at the date of issuance of this interim statement. Subject to the terms and conditions of the Merger Agreement and in accordance with Delaware law, (i) Merger Sub will merge with and into DARA (the “Merger”), with DARA continuing as the surviving corporation (the “Surviving Corporation”) and (ii) immediately following the effective time of the Merger, the Surviving Corporation will merge with and into Secondary Merger Sub (the “Secondary Merger”), with Secondary Merger Sub surviving the Secondary Merger as the wholly owned subsidiary of Midatech.

Pursuant to the terms and subject to the conditions of the Merger Agreement, subject to certain exceptions, at the effective time of the Merger, each share of DARA common stock, par value \$0.001 per share (the “Common Stock”), will be converted into rights to receive, without interest, (i) 0.272 ordinary shares (the “Midatech Ordinary Shares”) of Midatech, subject to adjustment in accordance with the terms of the Merger Agreement (the “Per Share Stock Consideration, plus (ii) one contingent value right (“CVR”), which represents the right to receive contingent payments if specified milestones are achieved within agreed time periods, subject to and in accordance with the terms and conditions of the Contingent Value Rights Agreement (as described below), plus (iii) cash in lieu of fractional Midatech Depositary Shares (as defined below). All Midatech Ordinary Shares to be issued in connection with the Merger will be delivered to the holders of DARA Common Stock in the form of American Depositary Receipts, each representing the right to receive two Midatech Ordinary Shares (the “Midatech Depositary Shares”).

The Merger Agreement includes a collar provision under which the initial exchange ratio of 0.272 is subject to adjustment in the event the Exchange Ratio Market Value (as defined in the Merger Agreement) determined one business day prior to closing of the Merger is less than \$1.08 or greater than \$1.32 (this ratio, as adjusted if necessary, the “Exchange Ratio”). In such event, the Exchange Ratio shall be determined as follows: (1) if the Exchange Ratio Market Value is an amount less than \$1.08, then the Exchange Ratio shall be equal to the quotient obtained by dividing \$1.08 by the Exchange Ratio Market Value (subject to a maximum Exchange Ratio of 0.306); and (2) if the Exchange Ratio Market Value is an amount greater than \$1.32, then the Exchange Ratio shall be equal to the quotient obtained by dividing \$1.32 by the Exchange Ratio Market Value (subject to a minimum Exchange Ratio of 0.249).

# Midatech Pharma plc

## Notes forming part of the condensed consolidated unaudited interim financial information for the six month period ended 30 June 2015

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### 14 Events after the reporting date (*continued*)

In lieu of receiving any fractional shares of Midatech Depositary Shares, holders of Common Stock will receive from Midatech an amount of cash, without interest, less the amount of any withholding taxes, equal to the product of (i) such fraction, multiplied by (ii) the U.S. Dollar equivalent of the closing price of Midatech Ordinary Shares underlying Midatech Depositary Shares on the AIM Market of the London Stock Exchange on the last trading day preceding the Closing Date (as defined in the Merger Agreement).

Additionally, under the terms and subject to the conditions of the Merger Agreement, at the effective time of the Merger, each share of DARA's issued and outstanding Series A Convertible Preferred Stock, Series B-2 Convertible Preferred Stock and Series C-1 Convertible Preferred Stock, subject to certain exceptions, will be converted into the right to receive, without interest, \$1,000 in cash, plus an amount equal to any declared but unpaid dividends (if any).

Each outstanding and unexercised warrant to purchase shares of DARA Common Stock (the "Warrant") as of immediately prior to the effective time of the Merger will be assumed or substituted by Midatech in accordance with the terms of such Warrant and, as of the effective time of the Merger, (i) will be exercisable for (A) the number of whole Midatech Ordinary Shares equal to the product of the number of shares of Common Stock that were issuable upon exercise of such Warrant immediately prior to the effective time of the Merger, multiplied by the Exchange Ratio, rounded down to the nearest whole number of Midatech Ordinary Shares and (B) one CVR multiplied by the total number of shares of Common Stock that were issuable upon exercise of such Warrants immediately prior to the effective time of the Merger, and (ii) the per share exercise price for each Midatech Ordinary Shares issuable upon exercise of Warrants so converted will be equal to the quotient determined by dividing the exercise price per share of Common Stock at which such Warrant was exercisable immediately prior to the effective time of the Merger by the Exchange Ratio, rounded up to the nearest whole cent. All Midatech Ordinary Shares delivered to the holders of Warrants in connection with the Merger will be delivered in the appropriate amount of Midatech Depositary Shares.

Subject to certain exceptions set forth in the Merger Agreement, each outstanding and unexercised option to acquire Common Stock (the "Stock Options") will become fully vested and exercisable immediately prior to the effective time of the Merger. Stock Options that remain outstanding and unexercised at the effective time of the Merger will be assumed by Midatech and will vest in accordance with their vesting schedule pursuant to the same material terms and conditions as set forth in the applicable agreement under which such Stock Option was granted immediately prior to the effective time of the Merger, provided that at the effective time of the Merger, (i) each Stock Option will be exercisable for that number of whole Midatech Ordinary Shares equal to the product of (A) the number of shares of Common Stock that were issuable upon exercise of such Stock Option immediately prior to the effective time of the Merger multiplied by (B) the Exchange Ratio, rounded down to the nearest whole number of Midatech Ordinary Shares, and (ii) the per share exercise price for each Midatech Ordinary Share issuable upon exercise of each Stock Option so converted will be equal to the quotient determined by dividing the exercise price per share of Common Stock at which such Stock Option was exercisable immediately prior to the effective time of the Merger by the Exchange Ratio, rounded up to the nearest whole cent. All Midatech Ordinary Shares delivered to the holders of Stock Options will be delivered in the appropriate amount of Midatech Depositary Shares.

#### **Research Collaboration with Ophthotech Corporation**

In August 2015 Midatech announced a collaboration with Ophthotech Corporation (NASDAQ: OPHT), a biopharmaceutical company specialising in the development of novel therapeutics to treat back of the eye diseases, to explore the feasibility of using Midatech's Q Sphera microencapsulation technology for sustained delivery formulations of select Ophthotech products for the treatment of wet Age-related Macular Degeneration and other ocular indications. The Directors believe that the agreement underpins a significant amount of the market forecasts of revenue for 2015.