

ASX Market Announcements
ASX Limited
Level 4
North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

INTERIM CONSOLIDATED FINANCIAL REPORT TO 31 DECEMBER 2016

Attached is Adherium Limited's Appendix 4D and Interim Consolidated Financial Report for the six months to 31 December 2016. An explanation of results for the period is set out in the Director's report within the Interim Consolidated Financial Report.

Yours faithfully



Rob Turnbull
CFO & Joint Company Secretary

ASX: ADR**ABN**

24 605 352 510

Company Overview

Adherium is a global leader in digital health technologies which address sub optimal medication use in chronic disease.

Directors

Mr Thomas Lynch (Chair)
Mr Garth Sutherland (Group CEO)
Mr Jeremy Curnock Cook
Dr William Hunter
Mr Bruce McHarrie
Prof John Mills
Mr Bryan Mogridge

Joint Company Secretaries

Mr Rob Turnbull
Mr Mark Licciardo

Registered Office

Collins Square, Tower 4
Level 18, 727 Collins Street
Melbourne, VIC 3000, Australia
+61 3 8657 5540

NZ Office

Level 2, 204 Quay Street
Auckland 1010
New Zealand

Investor Relations Contact

Ms Julia Chambers
+64 27 807 8153
investors@adherium.com

Websites

www.adherium.com
www.smartinhale.com

Adherium Limited

ABN 24 605 352 510

Appendix 4D

Interim Consolidated Financial Report for the period ending 31 December 2016

1. Adherium Limited (“Adherium”, the “Company” or the “Group”) presents this financial report, including the interim financial statements, for the six months ended 31 December 2016. In the previous financial year, the Group transitioned from a 31 March to a 30 June financial year end. This has resulted in this interim financial report being for a period of six months to 31 December 2016 with a comparative period of nine months to 31 December 2015.

2. Results for announcement to the market

	31 Dec 2016 \$'000 (6 months)	31 Dec 2015 \$'000 (9 months)	% Change*
2.1 Operating revenue	1,386	1,602	30%
2.2 Loss after tax from ordinary activities	(4,808)	(3,840)	(88)%
2.3 Net loss from ordinary activities	(4,808)	(3,840)	(88)%
2.4 Dividends and franked amount per security	nil	nil	n/a
2.5 Dividend record date	n/a	n/a	n/a
* % change has been calculated to take into account the differing lengths of the current and comparative reporting periods i.e. six and nine months respectively.			
2.6 Explanation of results:			
Please refer to the commentary in the Directors’ report contained in the attached Interim Consolidated Financial Report for the period ending 31 December 2016.			

The information required by ASX listing rule 4.2A is contained in both this Appendix 4D and the attached interim consolidated financial report. The interim information should be read in conjunction with the most recent annual financial report.

+ See chapter 19 for defined terms.

3. Net Tangible Assets per Security

	<u>Current period</u>	<u>Comparative period</u>
Net tangible assets per share	\$ 0.176	\$ 0.216

4. Entities over which control has been gained or lost during the period:

Not applicable.

5. Details of dividends

Not applicable.

6. Details of dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

None.

⁺ See chapter 19 for defined terms.

A close-up, profile view of a woman with long brown hair, eyes closed, using a red and white Adherium inhaler. The background is a soft-focus yellow and green, suggesting an outdoor setting. A large red diagonal shape covers the right side of the image, containing the company name and financial report details.

ADHERIUM LIMITED

INTERIM CONSOLIDATED FINANCIAL REPORT

FOR THE
SIX MONTHS ENDED
31 DECEMBER 2016



adherium

ABN 24 605 352 510

CORPORATE INFORMATION

ASX code: ADR

Directors

Mr Thomas Lynch (Chairman)
Mr Garth Sutherland (Group CEO)
Mr Jeremy Curnock Cook
Dr William Hunter
Mr Bruce McHarrie
Prof John Mills
Mr Bryan Mogridge

Joint Company Secretaries

Mr Rob Turnbull
Mr Mark Licciardo

Investor Relations Contact

Ms Julia Chambers
+64 27 807 8153
investors@adherium.com

Registered Office

Collins Square, Tower 4
Level 18, 727 Collins Street
Melbourne, VIC 3000, Australia
+61 3 8657 5540

NZ Office

(Principal Administrative Office)

Level 2, 204 Quay Street
Auckland 1010, New Zealand
+64 9 307 2771

Websites

www.adherium.com
www.smartinhaler.com

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067, Australia

Solicitors

K&L Gates
Level 25 South Tower
525 Collins Street
Melbourne VIC 3000, Australia

Auditors

PricewaterhouseCoopers
188 Quay Street
Auckland 1142, New Zealand

Shareholder Enquiries

1300 850 505 (+61 3 9415 4000)

Shareholders requiring clarification of holdings, or requesting changes of name or address should contact Computershare Investor Services directly on the above number. Shareholders wishing to create an online account with Computershare should visit <https://www.investorcentre.com>

TABLE OF CONTENTS

02

Directors' Report

05

Auditor's
Independence Declaration

06

Consolidated Statement of
Profit or Loss and Other
Comprehensive Income

07

Consolidated Statement of
Financial Position

08

Consolidated Statement of
Changes in Equity

09

Consolidated Statement of
Cash Flows

10

Notes to the Consolidated
Financial Statements

14

Directors' Declaration

15

Independent Auditor's
Review Report

DIRECTOR'S REPORT

Your Directors submit their report for the six-month period ended 31 December 2016.

Directors

The names of the Company's Directors at any time during the period and until the date of this report are:

	Appointed	Resigned
Mr Thomas Lynch (Chairman)	1 September 2016	
Mr Garth Sutherland (Group CEO)	20 July 2015	
Mr Jeremy Curnock Cook	17 April 2015 (incorporation)	
Dr William Hunter	17 December 2015	
Mr Bruce McHarrie	20 July 2015	
Prof John Mills	20 July 2015	
Mr Bryan Mogridge	20 July 2015	
Dr J Doug Wilson	20 July 2015	1 September 2016

Review of Operations

During the 2016 fiscal period Adherium transitioned its financial year end from March to June. Accordingly, the 2015 comparatives presented are for a nine-month period whereas this report is for the six-month period to 31 December 2016.

In July 2016, Adherium undertook an \$8 million share placement to Fidelity International Limited, one of the world's leading investment institutions. Cash reserves at 31 December 2016 were \$29.5 million.

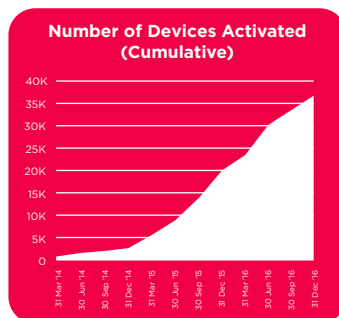
Revenue of \$1,602,000 in the comparative nine months was generated largely on sales of Smartinhaler™ devices, the majority of these being for supply to AstraZeneca's commercial programme at volume pricing.

Revenue this period was \$1,386,000, up 30% on 2015 on a six month (versus nine month) pro rata basis, again largely from our major commercial partner AstraZeneca, in relation to:

- AstraZeneca's initial pilot deployments in certain European countries;
- the Australian commercial pilot programme involving over 130 respiratory clinicians and several channels to distribute the Smartinhaler™ asthma management solution to consumers;
- the BreatheMate COPD study across a number of US sites using Adherium's SmartTouch™ for Symbicort® with supporting services provided by Adherium; and
- completion of milestones with the Medical Research Institute of New Zealand for two international studies being run with Adherium's Smartinhaler™ platform.

Activations of connected Smartinhaler™ devices on the Company's SmartinhalerLive™ cloud-based data platform continued to grow at a compound annual growth rate of 243% (over the period since 1 January 2014) and SmartinhalerLive™ now holds in excess of 25 million device logs, received via more than 5 million data uploads.

During the comparative period following our IPO, Adherium invested in capability across its business and this continued into the second half of the period to June 2016, also including the establishment of offices in Europe and North America. Operating costs in the period to 31 December 2016 reflect this increased level of activity and capability for the full six months.



Research and development expenses for the six months to 31 December 2016 of \$1,836,000 included:

- development of a new version of Adherium's SmartTurbo™ to incorporate new sensors to provide patients and caregivers with information to be able to better manage their asthma or COPD. This device has now been transferred to volume production and the first batches of devices are currently being manufactured;
- grant by the US Patent and Trademark Office (USPTO) of a key patent covering medication adherence monitoring devices that include an optical dose counter, further strengthening the Company's growing intellectual property portfolio;
- preparation and submission of an FDA 510(k) application for Adherium's SmartTouch™ for Symbicort®. This is currently under review with approval expected by the end of the financial year;
- development of a new SmartTouch™ model (ADR ST19) for an inhaled respiratory drug currently in development and scheduled by the drug's owner for clinical trials later this year; and
- development of the next generation of our mobile apps (iOS and Android) and cloud software platform, enabling self-enrolment by patients. This platform is now being used by AstraZeneca in the Australian commercial pilot programme.

Sales and marketing expenses were \$1,442,000 for the period, reflecting the expansion of the global business development team in the previous period and formal market research projects undertaken in the current period related to new channels for Adherium. As a global leader in digital health technology, Adherium also attended, presented, and exhibited at a number of respiratory industry meetings, including EyeforPharma and ERS (European Respiratory Society).

Administrative expenses of \$2,209,000 included key hires in the roles of Chairman, Chief Operating Officer, and Head of Corporate Development in the period. Non-cash costs in the six months included share and option compensation expense of \$250,000 (2015 nine months: \$24,000), and depreciation and amortisation expense of \$122,000 (2015 nine months: \$76,000). The period to 31 December 2015 also included non-cash interest and fair value expenses of \$378,000 related to increments in borrowing and embedded derivative classifications of the Convertible Notes prior to their conversion to Adherium shares, and the expensing of previously capitalised product development costs of \$166,000.

While the amount earned and the speed of deployment of the Company's technology has been below our expectations, sales revenue has continued to grow and, on a comparative basis, was greater than last year, and also the last six months of the financial period to 30 June 2016. Our strategic planning activities include a focus on ensuring our profit from sales is enhanced in future periods.

We believe our technology can make a significant difference to people with asthma and COPD around the world. The Smartinhaler™ platform continues to generate the best global clinically validated support which in recent months has included publication of the independent STAAR study results in the prestigious journal Thorax¹, showing unequivocal evidence that using Adherium's Smartinhaler™ platform dramatically increases medication adherence and improves clinical outcomes in children with asthma, leading to a five-fold reduction in asthma-related hospitalisations in patients. In addition, significant validation was received shortly after the half year-end through the publication of a Medtech Innovation Briefing (MIB) on Adherium's Smartinhaler™ technology platform by the UK's National Institute for Health and Care Excellence (NICE). The briefing recognises the important role that Adherium's Smartinhaler™ can play in improving adherence to asthma medication. NICE is an independent organisation providing national guidance to the UK's NHS, and in the MIB recognised that Smartinhaler™ technology is proven in clinical studies to reduce hospitalisations, and is more effective than current practice in improving asthma medication adherence.

Our commercial partnership with AstraZeneca continues to be an important strategic cornerstone of our business, in both revenue potential and technology validation as we expand commercial roll-outs with AstraZeneca globally. In parallel we intend to accelerate adoption of our Smartinhaler™ technology by focusing on market segments which provide a faster path to significant user acquisition and therefore, data acquisition. This will include engaging directly with asthma and COPD sufferers, their insurers and their care providers. Adherium already has the requisite approvals in markets around the world and inventory of devices covering multiple medications to be able to commence reaching out to consumers, caregivers, insurers and hospitals, and is staging the establishment of its sales and marketing capability to match these initiatives.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Rounding of amounts

The Company has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, amounts in the Directors' report and financial report have been rounded off to the nearest \$1,000.

Auditor's independence declaration

The Auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the six months ended 31 December 2016.

Signed in accordance with a resolution of the Board of Directors



Mr Thomas Lynch
Chairman

Dated this 27th day of February 2017

¹ Morton RW, Elphick HE, Rigby AS, et al, STAAR: a randomised controlled trial of electronic adherence monitoring with reminder alarms and feedback to improve clinical outcomes for children with asthma, Thorax Published Online First: 04 November 2016.doi: 10.1136/thoraxjnl-2015-208171

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the review of Adherium Limited for the six-month period ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Adherium Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read "Graeme Pinfold", with a long horizontal line extending from the bottom of the signature.

Graeme Pinfold
Partner
PricewaterhouseCoopers

Auckland
27 February 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six-month period ended 31 December 2016

	Notes	Six months 31 Dec 2016 \$000	Six months 31 Dec 2015 \$000
Continuing Operations			
Sales		1,386	1,602
Cost of sales		(722)	(833)
Gross profit		664	769
Grants income		226	-
Manufacturing support		(573)	(394)
Research and development costs		(1,836)	(1,323)
Sales and marketing costs		(1,442)	(523)
Administrative expenses		(2,209)	(2,260)
Operating loss		(5,170)	(3,731)
Interest income		362	269
Interest expense		-	(378)
Finance income (cost) - net		362	(109)
Loss before income tax		(4,808)	(3,840)
Income tax expense		-	-
Loss for the period attributable to equity holders		(4,808)	(3,840)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss when certain conditions are met: Foreign exchange differences on translation of foreign operation			
		(26)	83
Other comprehensive income for the period, net of tax		(26)	83
Total comprehensive loss for the period		(4,834)	(3,757)
Total comprehensive loss attributable to:			
Equity holders of Adherium Limited		(4,834)	(3,757)
Basic and diluted loss per share	3	2.9 cents	3.7 cents

Consolidated Statement of Financial Position

as at 31 December 2016

	Notes	31 Dec 2016 \$000	30 Jun 2016 \$000
ASSETS			
Current assets			
Cash and cash equivalents		29,523	27,211
Trade and other receivables		1,023	948
Inventories		730	418
Prepayments		217	49
Total current assets		31,493	28,626
Non-current assets			
Property, plant and equipment	4	508	298
Intangible assets		49	31
Total assets		32,050	28,955
LIABILITIES			
Current liabilities			
Trade and other payables		1,626	1,394
Income received in advance		39	104
Total current liabilities		1,665	1,498
EQUITY			
Share capital	5	74,232	66,720
Accumulated deficit		(17,818)	(13,010)
Other reserves		(26,029)	(26,253)
Total equity		30,385	27,457
Total liabilities & equity		32,050	28,955

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

for the six-month period ended 31 December 2016

	Share Capital	Accumulated Deficit	Share & Option Compensation Reserve	Foreign Currency Translation Reserve	Merger Reserve	Total Equity
<i>Six months to 31 December 2016</i>	\$000	\$000	\$000	\$000	\$000	\$000
Equity as at 1 July 2016	66,720	(13,010)	632	650	(27,535)	27,457
Loss for the period	-	(4,808)	-	-	-	(4,808)
Other comprehensive income (loss)	-	-	-	(26)	-	(26)
Total comprehensive loss	-	(4,808)	-	(26)	-	(4,834)
<i>Transactions with owners:</i>						
Shares issued in placement	8,023	-	-	-	-	8,023
Share and option grants for services	-	-	250	-	-	250
Share issue costs	(511)	-	-	-	-	(511)
Equity as at 31 December 2016	74,232	(17,818)	882	624	(27,535)	30,385

	Share Capital	Accumulated Deficit	Share & Option Compensation Reserve	Foreign Currency Translation Reserve	Merger Reserve	Total Equity
<i>Nine months to 31 December 2015</i>	\$000	\$000	\$000	\$000	\$000	\$000
Equity as at 1 April 2015	5,261	(5,125)	434	447	-	1,017
Loss for the period	-	(3,840)	-	-	-	(3,840)
Other comprehensive income (loss)	-	-	-	83	-	83
Total comprehensive loss	-	(3,840)	-	83	-	(3,757)
<i>Transactions with owners:</i>						
Shares issued on Convertible Notes conversion	2,204	-	-	-	-	2,204
Shares issued in capital reorganisation	27,535	-	-	-	(27,535)	-
Shares issued in initial public offering	35,000	-	-	-	-	35,000
Share issue costs	(3,706)	-	-	-	-	(3,706)
Shares issued on option exercise	299	-	-	-	-	299
Share option grants for services	-	-	24	-	-	24
Equity as at 31 December 2015	66,593	(8,965)	458	530	(27,535)	31,081

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows

for the six-month period ended 31 December 2016

	Six months 31 Dec 2016 \$'000	Nine months 31 Dec 2015 \$'000
Cash flows from operating activities:		
Receipts from customers	1,607	448
Receipts from grants	-	61
Interest received	330	269
Resident withholding tax paid	(7)	(7)
Payments to employees	(3,019)	(1,271)
Payments to suppliers	(3,859)	(3,715)
Net cash provided from (used in) operating activities	(4,948)	(4,215)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(229)	(177)
Purchase of intangible assets	(30)	(111)
Net cash used in investing activities	(259)	(288)
Cash flows from financing activities:		
Proceeds from the issue of shares	8,023	35,000
Proceeds from the exercise of options	-	299
Payment of capital raising costs	(511)	(3,471)
Payment of convertible note issue costs	-	(43)
Net cash provided from financing activities	7,512	31,785
Net increase (decrease) in cash	2,305	27,282
Cash at the beginning of the period	27,211	3,468
Effect of exchange rate changes on cash balances	7	30
Cash at the end of the period	29,523	30,780

The accompanying notes form part of the financial statements.

Notes to the consolidated financial statements

for the period ended 31 December 2016

1. General Information

Adherium Limited (the Company, Group or Adherium) is an Australian Securities Exchange listed company which develops, manufactures and supplies digital health technologies which address sub-optimal medication use and improve health outcomes in chronic disease.

Basis of Presentation

This general purpose consolidated condensed financial report for the six months ended 31 December 2016 (2015: nine months ended 31 December 2015) has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

During the period to 31 December 2015 Adherium completed an initial public offering and listed on the Australian Securities Exchange. In that process the listing entity, Adherium Limited was incorporated in Australia by the existing New Zealand based operating company, Adherium (NZ) Limited (formerly Nexus6 Limited). Prior to the initial public offering and listing, the owners of Adherium (NZ) Limited swapped their security holdings for securities in Adherium Limited. This capital reorganisation did not fall within the scope AASB 3 Business Combinations, and from the shareholders' perspective the reporting entity is the same before and after the reorganisation. Accordingly, the carrying values of the Group's assets and liabilities on reorganisation are that of Adherium (NZ) Limited.

In conjunction with the reorganisation, the Group transitioned to a 30 June balance date, resulting in a 15 month financial period to 30 June 2016. Accordingly, comparative information in this interim report includes the nine month period from 1 April 2015 to 31 December 2015.

This interim report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and operating, financing and investing activities of the consolidated entity as the full financial report. This interim financial report should be read in conjunction with the annual report of Adherium Limited for the fifteen months ended 30 June 2016 and considered together with any public announcements made by Adherium Limited in accordance with the continuous disclosure obligations of the ASX Listing Rules.

This interim financial report has been prepared using the same accounting policies as used in the annual financial statements of Adherium Limited for the fifteen months ended 30 June 2016.

Adherium has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to Adherium's accounting policies and had no effect on the amounts reported for the current or prior periods.

2. Segment Information

The chief operating decision maker is the Group Chief Executive Officer, who reviews financial information for the Group as a whole. The information reviewed is prepared in the same format as included in the financial statements. The Company has therefore determined that one reportable segment exists for the Company's Smartinhaler™ business.

3. Earnings per share

Basic loss per share is based upon the weighted average number of outstanding ordinary shares. For all periods presented, the Company's potentially dilutive ordinary share equivalents (being the options over ordinary shares and the convertible notes) have an anti-dilutive effect on loss per share and, therefore, have not been included in determining the total weighted average number of ordinary shares outstanding for the purpose of calculating diluted loss per share.

In conjunction with the capital reorganisation ahead of the initial public offering and listing in August 2015, the Company undertook a share split of approximately 8.66:1. The effect of this share split has been incorporated into the calculation of weighted average shares outstanding for the comparative period to 31 December 2015.

	Six months 31 Dec 2016 \$000	Nine months 31 Dec 2015 \$000
Profit (loss) after income tax attributable to equity holders	(4,808)	(3,840)
Weighted average shares outstanding (basic)	167,003,908	102,585,566
Weighted average shares outstanding (diluted)	167,003,908	102,585,566
Basic and diluted loss per share	2.9 cents	3.7 cents

4. Property, plant and equipment

During the period, the Group acquired assets with a cost of \$321,000 (2015: \$159,000) mainly in relation to manufacturing related tooling and computer equipment.

5. Share capital

Share numbers presented below have where applicable been restated to reflect the 8.66:1 share split undertaken prior to the Company's initial public offering. Similarly, amounts have been presented in Australian dollars following the change in presentation currency in the previous period.

	Ordinary Shares	\$'000	
Adherium (NZ) Limited			
Share capital as at 1 April 2015	65,236,795	5,261	
Shares issued on Convertible Notes conversion	4,763,205	2,204	
Shares acquired by Adherium Limited in reorganisation	70,000,000	7,465	(a)
Adherium Limited			
Shares issued to Adherium (NZ) Limited shareholders	70,000,000	35,000	(a)
Shares issued in initial public offering	70,000,000	35,000	
Share issue costs	-	(3,706)	
Shares issued on option exercise	4,441,285	426	
Shares issued in employee share plans	6,778,640	-	
Share capital as at 30 June 2016	151,219,925	66,720	
Shares issued in placement	16,046,097	8,023	
Share issue costs	-	(511)	
Shares issued in employee share plans	4,797,095	-	
Share capital as at 31 December 2016	172,063,117	74,232	

(a) Capital Reorganisation

During the period to 31 December 2015 Adherium completed an initial public offering and listed on the Australian Securities Exchange. In that process the listing entity, Adherium Limited, was incorporated in Australia by the existing New Zealand based operating company, Adherium (NZ) Limited. Prior to the initial public offering and listing, the owners of Adherium (NZ) Limited swapped their security holdings for shares in Adherium Limited. This was accounted for as a capital reorganisation and the variance between the value of the shares issued to the shareholders of Adherium (NZ) Limited and carrying value of the Group's assets and liabilities (\$27,535,000) has been recorded in the Merger Reserve.

6. Related party transactions

Details of all related party transactions have been disclosed in the annual report for the year ended 30 June 2016. There have been no other new significant related party transactions during the interim period to 31 December 2016.

7. Contingencies and commitments

The Company had no contingencies or commitments to purchase any property, plant or equipment at 31 December 2016 (June 2016: nil).

The Company entered into a six-year office lease commitment, with one two-year right of renewal. The following aggregate future non-cancellable minimum lease payments for premises have been committed to by the Company, but not recognised in the financial statements.

	31 Dec 2016 \$000	30 June 2016 \$000
Not later than one year	330	199
Later than one year and not later than five years	974	797
Later than five years	-	67
	1,304	1,063

8. Events occurring after the balance sheet date

There are no events occurring after the balance sheet date which require disclosure or adjustment in the financial statements.

DIRECTORS' DECLARATION

In the opinion of the Directors of Adherium Limited:

- (a) The financial statements and notes set out on pages 6 to 13 are in accordance with the Corporations Act, including:
 - (i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial period ended on that date; and
 - (ii) Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Thomas Lynch', with a stylized flourish at the end.

Mr Thomas Lynch
Chairman

Dated this 27th day of February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT



Independent auditor's review report to the members of Adherium Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Adherium Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period ended on that date, selected explanatory notes and the directors' declaration for Adherium Limited (the consolidated entity). The consolidated entity comprises both the company and the entities it controlled from time to time during the six month period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the six month period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adherium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Adherium Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the six month period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Graeme Pinfold

Graeme Pinfold
Partner

Auckland
27 February 2017

