



PARKINSON'S DISEASE. This is a chronic organic affection of the nervous system, otherwise known as paralysis agitans. It occurs mostly in the second half of life and more often in men than in women. The onset is insidious, its course rapidly or slowly progressive, and when well established shows the following characteristic symptoms. The face assumes a great lack of expression with elevated eyebrows and manifests a general immobility (Parkinson's mask). There is a tremor of the hands, and the thumb and the forefinger make a motion like rolling. The wrist tends to jerk, the head may vertically, and the legs may be affected.

There are weakness and rigidity in all the muscles, all movements are slow and deliberate, and the gait is curious. The head is bent forward, the arms kept away from the body, the steps are short and hurried and the

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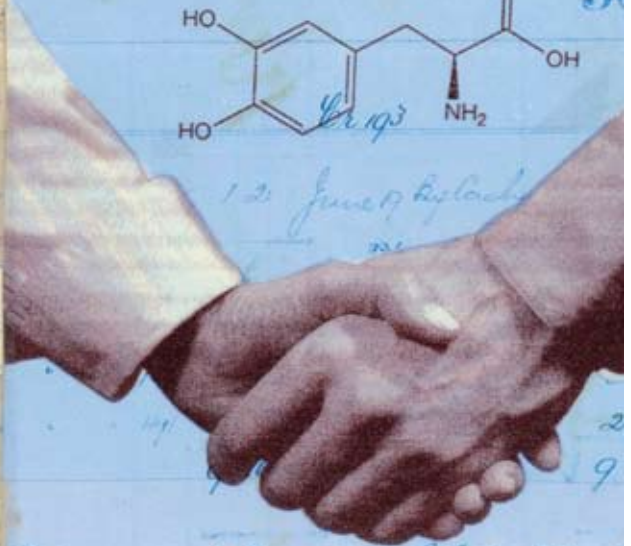


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Business highlights

Our strategy

Phytopharm is a pharmaceutical development and functional food company. Our products are developed from medicinal plants thereby reducing the development risk, cost and time to market. As a virtual company, Phytopharm's model is centred on a lean cash burn with all laboratory, manufacturing and clinical work out-sourced to specialists, while core competencies such as strategy and management are maintained in-house. Close collaboration with charitable organisations enhances our interaction with Key Scientific Advisors and accelerates our development programmes increasing their value.

Operational summary

- Re-structuring programme successfully completed with headcount reduced from 40 to 23.
- Company re-focused on clinical development of Cogane™.
- Safety, tolerability and pharmacokinetic study (involving healthy volunteers and Parkinson's disease patients) of Cogane™ commenced in April 2009.
- International Scientific Advisory Panel jointly hosted by Phytopharm and The Cure Parkinson's Trust held in May 2009 in order to facilitate the design protocol for the proof of concept clinical study of Cogane™ as a treatment for Parkinson's disease.
- The Mutual Termination Agreement satisfactorily concluded with Unilever in December 2008 is being implemented and the arrangements are progressing well.
- Discussions underway with potential partners for the future partnering or out-licensing of pharmaceutical and functional food programmes.

Key financials

- Revenue of £0.72 million (HY 2008 £1.39 million).
- Loss after tax of £2.21 million (HY 2008 £1.77 million).
- Cash and money market investments balance of £5.73 million (HY 2008 £8.80 million).

Business strategy review

We have made good progress in refocusing the business and implementing our cost reduction programme. Our successful meeting in May with the Cure Parkinson's Trust and several expert international scientific advisors, reinforced our belief that Cogane is a highly promising asset in a market with large unmet clinical need. We look forward to advancing this programme through the clinic and to realising value from our other assets through partnerships.

During the last six months, we have completed a major review of our business strategy following the decision by Unilever not to proceed with the *Hoodia* programme.

Phytopharm is now focusing on building shareholder value by concentrating on its innovative pharmaceutical programmes, in particular on the lead programme, Cogane™. The Company plans to progress the Cogane™ and Myogane™ programmes to proof of concept by attracting non-dilutive funding, whilst the Company is seeking to establish partnerships for later phase clinical development and commercialisation.

A major part of the review of the Company's strategy has focused on restructuring the business. Accordingly, we have reduced our headcount to 23 comprising 4 senior management, 14 scientific staff and 5 administrative and support staff.

We targeted a reduction in overall expenditure of up to 20% in the current financial year which is on target to be achieved.

Following the departure of the CEO and CFO in November 2008, I was appointed Interim CEO having been a non-executive director of the Company for two years and former CEO of Lipton Limited. The Company has appointed Keith Thomson as Interim COO/CFO (Board observer). Keith is a qualified chartered accountant (at KPMG) and experienced interim CEO and COO with a background in technology, financial services, life sciences and research and development.

The interim team has made considerable progress in implementing the Company's revised strategy and continues to drive forward the development programmes and generate non-dilutive funding from specific focused charities, grants and other viable sources.

The Company's intention is to postpone the recruitment of a new CEO until further progress has been achieved in attracting non-dilutive funding, partnering the pharmaceutical development programmes and the results of the ongoing Cogane™ studies are received

As communicated earlier in the year, one of our other strategic thrusts is to secure non-dilutive funding options to supplement our current revenue. This focus of securing sources of non-dilutive funding from charities, grants and other viable sources continues to be pursued. We are delighted with the commitment and support we have already received from The Michael J Fox Foundation for Parkinson's Research (MJFF) and The Cure Parkinson's Trust (CPT). We look forward to building on both these valuable relationships to continue to progress the development of Cogane™. We maintain a dialogue with other charities in the Parkinson's disease area and continue to have constructive dialogue with The Motor Neurone Disease Association.

Phytopharm is in the process of filing several substantial grant applications with charities, foundations and government organisations in the UK as well as Europe and the USA, including MJFF. We expect to begin receiving responses to most of these applications in Q3 2009.

The Company is in discussions with potential partners for both its pharmaceutical and functional food programmes.

A D (Sandy) Morrison
Acting Chief Executive

Our business strategy

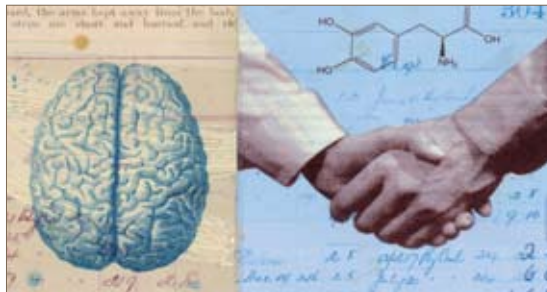
Medicinal plants with a history of use

- Reduces development cost and time
- Reduces risk
- Pharmaceuticals and functional foods
- Novel products

Balanced portfolio

- High value products
- Low cost, rapid development products (orphan pharmaceuticals, functional foods)
- Human and veterinary markets
- Early revenues

We develop novel products in areas of high unmet health needs,



to deliver treatments and relieve suffering for longer, healthier lives.

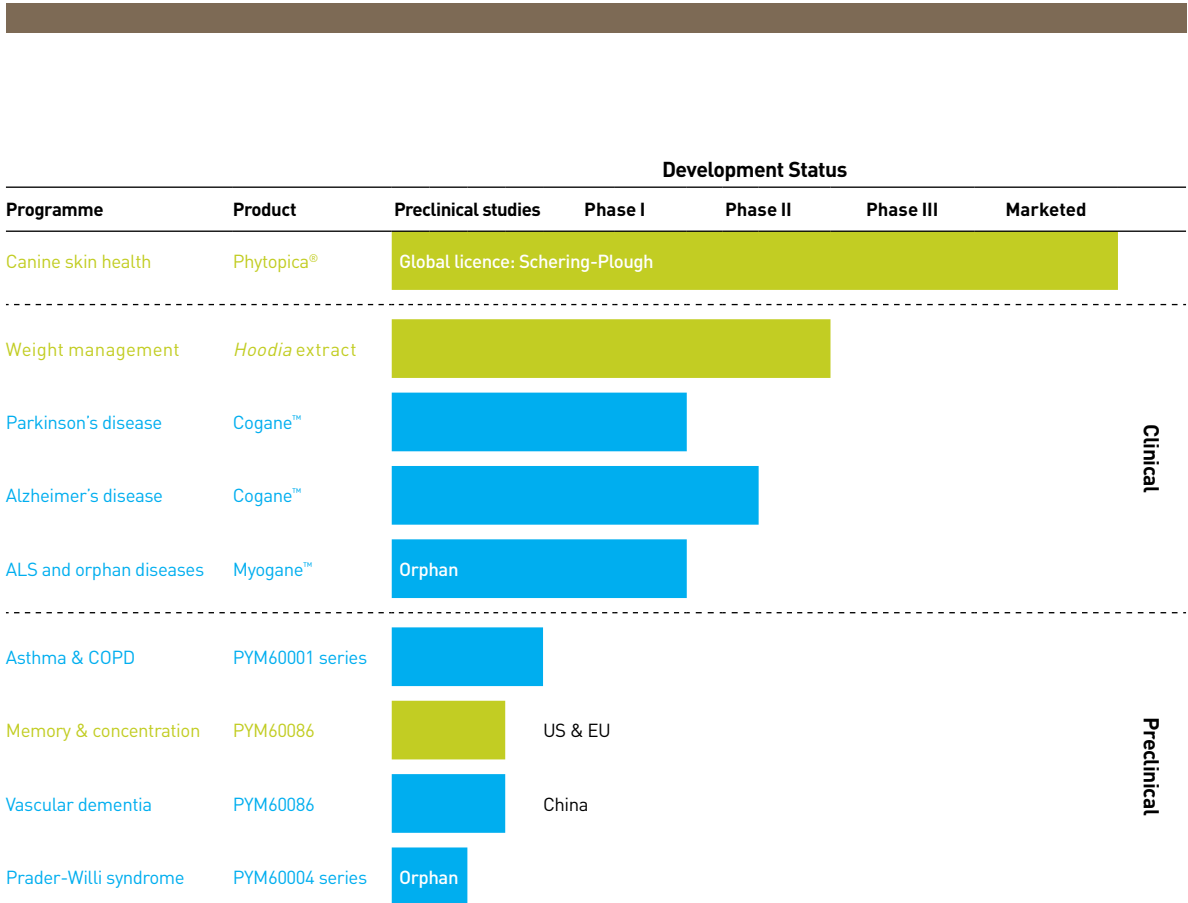
Virtual operation

- Internal expertise with outsourced development activities
- Reduces costs/maximises efficiency
- Enhances collaboration with KSAs and specialist contractors worldwide
- Enhances innovative partnering

Partner with charitable organisations

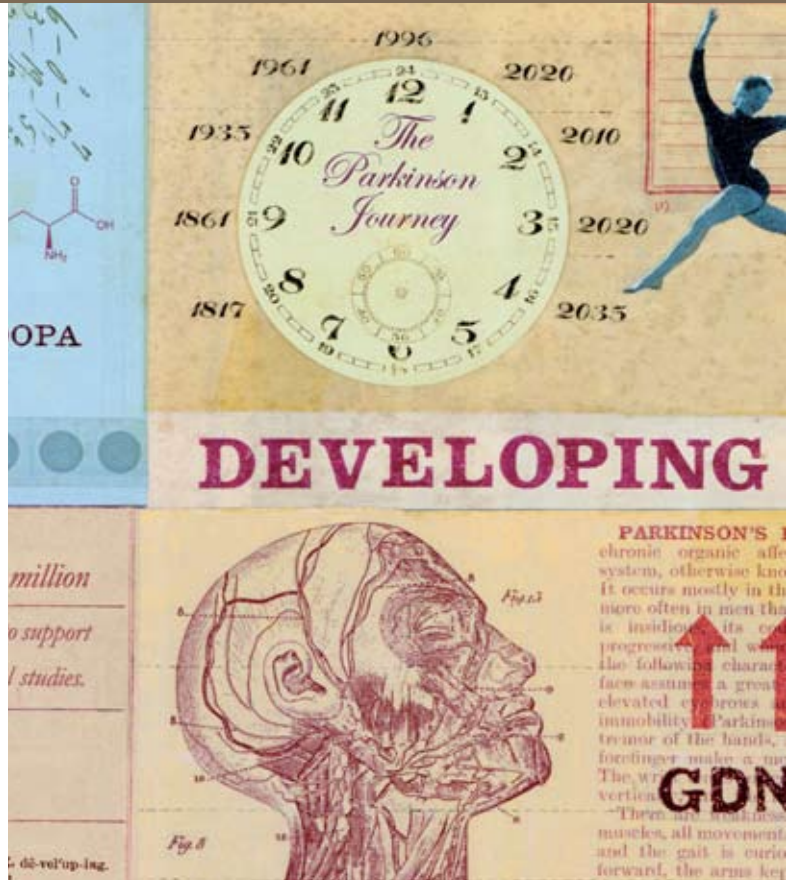
- Reduces development cost
- Enhances collaboration with KSAs
- Validates novel treatments for diseases with high unmet medical need and enhances value
- Non-dilutive funds

Our pipeline



Strategic objective 1

Developing
...a broad, balanced
portfolio of products
with diversified risk
and substantial
potential value



How we are achieving this

Cogane™

an orally active, neurotrophic
factor inducer for Parkinson's
& Alzheimer's disease

Cogane™ is being developed for Parkinson's disease and also has potential as a treatment for neuropsychiatric disorders. A consistent feature of Parkinson's disease is the loss of dopamine-containing neurones in the substantia nigra area of the brain. Cogane™ is now benefiting from the strategic financial support from The Michael J. Fox Foundation for Parkinson's Research (MJFF) and The Cure Parkinson's Trust (CPT).

A safety, tolerability and pharmacokinetic clinical study in healthy volunteers and PD patients is ongoing.

Myogane™

an orally active, neurotrophic
factor inducer for ALS

Myogane™ is in clinical development as a treatment for ALS (also known as Lou Gehrig's disease). ALS is the most prevalent motor neurone disease and results from progressive degeneration of motor neurones which lead to severe muscle weakness and wasting followed by paralysis. Myogane™ readily crosses the blood-brain barrier and in preclinical models has been shown to stimulate the release of BDNF in the brain and protect against neuronal damage. When administered orally to preclinical models of ALS, Myogane™ delays the loss of muscle strength and extends survival time.

Strategic objective 2

Focusing
...on the advancement
of our products
while creating value
for stakeholders



How we are achieving this

Hoodia extract

weight management
functional food product

Phytopica®

natural, three plant product
for canine skin health

Hoodia extract contains a novel satiety stimulator that reduces calorific intake in overweight subjects. Following the mutual termination agreed with Unilever in December 2008, Phytopharm is in the early stages of evaluating business propositions for this programme.

Phytopica® is a novel three in one approach to help maintain a normal healthy immune system, support normal white cell function and provide antioxidant benefits. *Phytopica®* is marketed by our partner Intervet/Schering-Plough in four territories worldwide.

Pharmaceutical products

Overview

Cogane™ is an orally active, neurotrophic factor inducer being developed for Parkinson's and Alzheimer's disease and has the potential as a treatment for neuropsychiatric disorders. Myogane™ is an orally active, neurotrophic factor inducer being developed as a disease modifying agent for ALS (also known as Lou Gehrig's disease).

Parkinson's disease

Parkinson's disease is a movement disorder characterised by muscle rigidity, tremor and a slowing of physical movement (bradykinesia) and, in extreme cases, a loss of physical movement (akinesia). The primary symptoms are the result of altered signalling of an area of the brain, the striatum, responsible for the control of movement. This is caused by degeneration of dopaminergic neurones between the striatum and the substantia nigra part of the brain leading to insufficient formation and action of dopamine.

At present there is no cure for Parkinson's disease, but a variety of medications provide temporary relief from the symptoms usually by dopamine replacement therapy. There is an urgent need for the development of new approaches to both Parkinson's disease and Alzheimer's disease.

Mode of action

Cogane™ is a novel non-peptide, orally bioavailable neurotrophic factor inducer that readily crosses the blood brain barrier. In preclinical models, Cogane™ reverses the changes in the area of the brain involved in Parkinson's disease by inducing the body's own production of proteins known as neurotrophic factors. In particular, one of these factors known as glial derived neurotrophic factor (GDNF) has been shown to be particularly effective in

re-growing damaged nerves. Since GDNF is a protein, it cannot be given orally (in tablet or liquid form) because it is degraded in the stomach and intestine, and also does not readily cross the blood-brain barrier. GDNF can work only when injected into or when produced inside the brain. Direct injection of GDNF into the area of the brain involved in Parkinson's disease has shown evidence of being clinically effective in restoring the control of movement but requires highly complex and difficult surgical procedures. Cogane™, which can be taken orally, readily crosses the blood-brain barrier and in preclinical models has been shown to stimulate the release of GDNF in the brain and therefore has the potential to overcome many of the difficulties associated with GDNF administration.

Other degenerative diseases

The neuroprotective and neurotrophic actions of Cogane™ suggest potential beneficial effects in other neuro-degenerative diseases including Alzheimer's disease. In our clinical study of Cogane™ in mild and moderate Alzheimer's disease patients, the more moderate Alzheimer's disease patients showed a decline in cognition in the placebo group with an encouraging trend for slower disease progression in the Cogane™ treated group. Patients with a mild form of the disease showed no decline in cognitive function and therefore, there was no effect detectable with Cogane™.

GDNF

Direct infusions of GDNF in the brain of Parkinson's disease patients has been shown to restore the control of movement.

1 to 2 in 1,000

100 to 200 per 100,000 population have Parkinson's disease
(Source: Datamonitor)

The benefits to the moderate Alzheimer's disease patients, coupled with Cogane's™ good safety profile and tolerability, provides positive data for longer term studies for efficacy determination in both Parkinson's disease and Alzheimer's disease.

Progress to date

In April 2009, the Company commenced a safety, tolerability and pharmacokinetic (PK) study involving both healthy volunteers and patients with PD. This study, being conducted on a part residential, part out-patient basis, is employing a randomised, double-blind, multiple dose ascending, placebo-controlled design to evaluate the safety, tolerability and PK profile of a new oral formulation of Cogane™ when taken for up to 28 days at various dose levels. In total, 18 healthy male and female volunteers and up to 18 male and female patients with PD aged between 40-80 years, are being enrolled with doses being escalated sequentially following a safety review at each dose level.

In addition, further charitable collaborations are being progressed. The Cure Parkinson's Trust has provided further support including jointly funding the Scientific Advisory Panel Event on 11 and 12 May 2009. The event was attended by leading research scientists, physicians and neurologists from the USA, Canada and Europe in order to create the most appropriate design of a protocol for the proof of concept clinical study for Cogane™

in Parkinson's disease which Company plans to commence 2010.

Tom Isaacs, Co-founder of CPT has commented, "The Cure Parkinson's Trust is delighted to be able to confirm its support of Phytopharm in the development of Cogane™, a drug with significant potential in the treatment of Parkinson's. We fully support the development of Cogane™."

The Company continues to progress the pre-clinical studies in Cogane™ supported by The Michael J Fox Foundation for Parkinson's Research (MJFF). The pre-clinical studies to determine the optimal dosing requirements for Cogane™ are being carried out by Dr Jonathan Brotchie, a Senior Scientist at the Toronto Western Hospital and part of the University Health Network (UHN) in Toronto, Canada.

Motor neurone disease

Amyotrophic lateral sclerosis (ALS, also known as Lou Gehrig's disease) is the most prevalent form of motor neurone disease which generally strikes people between 40 and 60 years of age. It is characterised by progressive loss of both lower (spinal cord and brain stem) and upper (cerebral cortex) motor neurones, which leads to severe muscle weakness and wasting, followed by paralysis and death, generally caused by respiratory failure. There is an urgent need for the development of new approaches to this devastating condition.

Mode of action

Myogane™ is a novel non-peptide, orally bioavailable neurotrophic factor inducer that readily crosses the blood-brain barrier. Myogane™ induces the body's own production of proteins known as neurotrophic factors. In particular, one of these factors known as brain derived neurotrophic factor (BDNF) has been shown to be particularly effective in re-growing damaged motor neurones. Myogane™ readily crosses the blood-brain barrier and in preclinical models has been shown to stimulate the release of BDNF in the brain and protect against neuronal damage and when administered orally to preclinical models of ALS, delays the loss of muscle strength and extends survival time.

The neuroprotective and neurotrophic actions of Myogane™ suggest potential beneficial effects in other orphan neurodegenerative diseases including Huntington's disease, Friedrich's ataxia, progressive supranuclear palsy and multiple system atrophy.

Progress to date

It is our intention to carry out a proof of concept clinical study provided adequate funding was available from non-dilutive sources. Several charitable grants are under discussion and we continue to have constructive dialogue with The Motor Neurone Disease Association.

ALS

ALS is characterised by the progressive degeneration of motor neurones leading to severe paralysis, muscle wasting and eventually death

120,000

Nearly 120,000 cases of ALS are diagnosed worldwide each year (Source: International Alliance of ALS Associations)

Functional foods

Overview

Functional foods are food stuffs that provide health or physiological benefits above their nutritional value and have a health claim on the packaging.

Dietary weight management

Obesity is a major health problem and growing rapidly in numbers and severity. In addition there is a rising level of premature obesity in children and obesity is increasing in the developing world.

Hoodia extract is a weight management functional food product based on an extract of the succulent plant, *Hoodia*, which contains a novel satiety stimulator that reduces calorie intake in overweight subjects, as demonstrated in a double-blind, placebo-controlled clinical study. In this study, overweight but otherwise healthy male volunteers were randomly allocated to receive either *Hoodia* extract or placebo twice daily for 15 days. The *Hoodia* extract group showed a significant reduction in the average daily calorific intake compared with placebo ($p=0.014$) with a statistically significant reduction in body fat content compared with the placebo ($p=0.035$). No serious adverse events were experienced by any of the subjects, and the safety data are consistent with a satisfactory overall safety profile. The kinetic data confirmed that the systematic exposure to biologically active constituents of *Hoodia* was consistent with the observed clinical effects.

Extracts of *Hoodia* and the active molecules therein are the subject of a global patenting programme, with major patents granted in the US, UK, Europe and Japan and pending in other major territories.

Progress to date

In December 2008 a satisfactory mutual termination agreement (MTA) was concluded with Unilever. Under this MTA the original IP rights have been restored to Phytopharm and access to Unilever's patents has been secured. In addition, Phytopharm has secured access to the *Hoodia* supply chain (*Hoodia* extract, *Hoodia* dried product and plantations).

Phytopharm is committed to realising the potential benefits of *Hoodia* extract as a functional food targeting weight management and is in early stage discussions with a number of interested partners. It is Phytopharm's intention to licence the *Hoodia* programme once a satisfactory business proposition emerges. During this process, Phytopharm's expenditure on the programme remains limited.

66%

In the US 66% of adults are overweight or obese
(Source: US National Centre for Statistics)

\$2.3 billion

US market for weight management products in 2002
(Source: Market Research Report, Weight Control US)

Canine skin health

Canine dermatological disorders are well recognised by veterinarians to be a major problem. Maintenance of a healthy skin and coat and alleviation of itching are of major importance to canine general health and quality of life.

Mode of action

Phytopica® is a natural, three-plant product for canine skin health that provides a novel three in one approach to help maintain a normal healthy immune system, support normal white cell function and provide antioxidant benefits. The beneficial effects and excellent safety profile of Phytopica® have been proven extensively in clinical trials and the product has been found to be suitable for all dogs whatever size or breed.

Progress to date

In January 2006, Phytopharm entered into an exclusive global agreement with Intervet/Schering-Plough ("Schering-Plough") for Phytopica®. Schering-Plough launched the product in the UK in April 2006 and has subsequently launched the product in Italy, France and Hong Kong.

Sales have been negatively impacted by the consequences of the significant M & A activity of our licensee, Intervet/Schering-Plough. Strategic options are being evaluated with regard to the future of this programme.

Memory and concentration

There is growing interest in functional foods for memory and concentration. PYM60086 has been selected from a library of compounds derived from Traditional Chinese Medicine (TCM) licensed from The Beijing Institute (Institute of Radiation Medicine, the Academy of Military Medical Sciences, Beijing). Preclinical studies suggest that PYM60086 may help to reverse normal age related memory loss and improve concentration.

Mode of action

PYM60086 is an extract of TCM used as a tonic for the elderly with memory enhancing properties.

Progress to date

Phytopharm and The Beijing Institute are collaborating to progress The Beijing Institute's lead product for memory and concentration (PYM60086).

Phytopharm intends to develop this lead product through further pre-clinical testing and then progress into clinical trials.

900,000

An estimated 15% of the UK dog population (around 900,000 dogs) are affected by skin conditions
(Source: Animal Pharm)

Memory and Concentration

Novel functional food in-licensed from The Beijing Institute

Responsibility statement

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Phytopharm plc are listed in the Phytopharm plc Annual Report for the period ended 30 September 2008. Dr D D Rees and Mr P J Morgan resigned on 13 November 2008.

By order of the Board
Alistair Taylor
Non-Executive Chairman
20 May 2009

Sandy Morrison
Chief Executive Officer
20 May 2009

Financial review

Income statement

The revenue of £0.72 million for the six months ended 31 March 2009 was generated from the collaboration with Unilever and from Intervet/Schering-Plough Animal Health for global sales, marketing and distribution of Phytopica® for canine skin health.

Revenue from Unilever represents reimbursement to the Group of development expenditure and certain Phytopharm staff agreed under the Mutual Termination Agreement signed in December 2008. Of the revenue in the six months ended 31 March 2009, £0.50 million represents payments from Unilever (six months 31 March 2008 £1.18 million).

Revenue from Intervet/Schering-Plough Animal Health comprises the sale of Phytopica® by Phytopharm to Intervet/Schering-Plough Animal Health for onward distribution and eventual sale to end users. Phytopica® sales for the six months to 31 March 2009 amounted to £0.13 million (six months to 31 March 2008 £0.16 million).

Other miscellaneous revenue for the six months ended 31 March 2009 amounted to £0.08 million (six months ended 31 March 2008 £0.05 million).

Other income of £0.12 million represents payments from Michael J Fox Foundation in respect of pre-clinical development work on Cogane™ for Parkinson's disease (six months to 31 March 2008 £0.05 million).

Expenditure on development has continued during the six months ended 31 March 2009 totalling £2.21 million compared to £2.48 million in the six months ended 31 March 2008. Approximately £0.17 million of development expenditure related to *Hoodia* development costs reimbursed by Unilever under the Mutual Termination Agreement signed in December 2008 which was considerably lower than the comparable period whereas expenditure on the Group's pharmaceutical programme, Cogane™ increased during the period in preparation for further clinical studies.

Expenditure on selling, general and administrative expenses for the period amounted to £0.69 million; a slight reduction compared to £0.75 million for the comparable period.

In addition, exceptional expenses totalling £0.29 million (£0.10 million development expenses and £0.19 million selling, general and administrative expenses) were incurred during the period in relation to the contractual termination costs for the former Executive Directors, together with restructuring costs.

Interest receivable for the six months ended 31 March 2009 amounted to £0.15 million compared to £0.04 million for the six months ended 31 March 2009. The increase reflects the higher average cash balance in the period.

The overall net loss for the period increased to £2.21 million (six months ended 31 March 2008; £1.77 million) mainly due to the increased development expenditure on Cogane™ together with the exceptional expenses incurred during the period.

Balance sheet

Non-current assets at 31 March 2009 amounted to £0.29 million compared to £0.30 million at 30 September 2008 and £0.25 million at 31 March 2008. Of these amounts, £0.10 million represents intangible assets, being the patent and know-how licenses acquired externally that have been recognised at cost. Other non-current assets represent property, plant and equipment.

Current assets amounted to £6.71 million at 31 March 2009 (30 September 2008 £8.19 million; 31 March 2008 £10.38 million), and comprised inventories of £0.28 million, amounts receivable of £0.70 million (of which £0.16 million related to R & D Tax Credits), together with money market investments and cash

and cash equivalents of £5.73 million. Inventories declined in the six months ended 31 March 2009 as the Group continues to utilise these for the sale of Phytopica® and disposes of surplus raw materials.

Amounts receivable for R & D tax credits at 31 March 2009 have increased to £0.16 million compared to £0.09 million at 31 March 2008 (30 September 2008 £0.20 million). This increase relates to the Group's increased development expenditure on Cogane™.

Cash resources described as cash and cash equivalents are invested for a period of 90 days or less. Money market investments are fixed-rate short term deposits placed with a range of banks at fixed terms with a maturity date of more than three months. The Group's policy is to minimise the risks associated with cash and short term investments by placing these deposits with institutions with a recognised high rating, or with one of the major clearing banks.

Collectively cash, cash equivalents and money market investments decreased to £5.73 million at 31 March 2009 reflecting the cash outflows on operating activities. Cash resources at 31 March 2008 amounted to £8.80 million, including the net proceeds of the fundraising completed on 28 March 2008, and £7.11 million at 30 September 2008.

Current liabilities at 31 March 2009 have increased slightly to £1.95 million compared to £1.94 million at 31 March 2008 (30 September 2008 £1.33 million) in line with operating activities.

At 31 March 2009 the Group's share capital remained unchanged at £0.94 million (30 September 2008 £0.94 million; 31 March 2008 £0.94 million) and the increase in the share premium account to £55.71 million represents share issue costs recovered during the period (30 September 2008 £55.67 million; 31 March 2008 £55.66 million).

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results.

Industry risk

In common with other research and development stage businesses, Phytopharm's business risks relate principally to the success of its development programmes and to the need to fund its operations through these. The progress of the development programmes therefore represents the best indicator of the Group's performance and a full review of the programmes is given in the business review on pages 1 to 9.

Financial risk

The Group has one product, Phytopica®, on the market. However the revenues currently being generated by this programme will not offset the Group's research and development expenditure, and the Group expects to continue to make losses until it is able to increase its revenues sufficiently. Additional funds such as charitable income, collaboration deals and/or further financing may be required to allow for further scope for product development. The availability and timing of such additional external funds represents a material uncertainty.

Clinical and regulatory risk

Successful commercialisation of the Group's products is likely to depend on continuing successful progress through clinical and consumer studies, and registration as applicable. Development of product candidates involves a lengthy and complex process, and products may not meet the necessary requirements in terms of toxicity,

efficacy or safety, or the relevant regulators may not agree with the results of the Group's research and may require further testing or withhold approval altogether.

Competition risk

The Group's success depends on acceptance of the Group's products by the markets, including physicians and third party payers, and consequently the Group's progress may be adversely affected if it is unable to achieve market acceptance of its products. Factors which may affect the rate and level of market acceptance of any of the Group's products will include the existence or entry on to the market of superior competing products or therapies and the price of the Group's products compared to competing products.

Intellectual property risk

The Group's success depends in part on its ability to obtain and maintain protection for its intellectual and proprietary information, so that it can stop others from making, using or selling its inventions or proprietary rights. The Group's patent applications may not be granted and its existing patent rights may be successfully challenged and revoked.

Economic risk

As a consequence of the international nature of its business, the Group is exposed to risks associated with changes in foreign currency rates. The Group is headquartered in the United Kingdom, and substantially all its cash resources are in pounds sterling. An adverse change in exchange rates may lead to either an increase in certain of the Group's costs or a decrease in the pounds sterling value of its revenues, and hence a significant impact on the Group's reposted results of operations, financial position and cash flow.

Counterparty risk

The Group relies on third party organisations to conduct its clinical trials and to manufacture its products. If the relationship with or performance of any of these partners is adversely affected the Group's results of operations may be adversely impacted.

The Group also derives revenue or financial support from its collaborators and expects to derive additional support from partnering with certain charitable organisations. If these relationships are adversely affected, or if the products involved fail to continue to make satisfactory progress, the Group's results of operations may be adversely impacted.

Forward looking statements

Certain information included in these statements is forward looking and involves risk and uncertainties that could cause results to differ materially from those expressed or implied by the forward looking statements.

Forward looking statements include, without limitation, projections relating to results of operations and financial conditions, market estimates, the Group's plans and objectives for future operations, including future revenues, financial plans and expected expenditures and divestments. All forward looking statements in this report are based upon information known to the Group at the date of this release. The Group undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Group's forward looking statements to be incorrect or that could otherwise have a material adverse effect on future operations or results of the Group.

Independent review report to Phytopharm plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009, which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information 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 International Standards on Auditing (UK and Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Without qualifying our conclusion, we draw attention to note 1 to the condensed consolidated interim statements which deals with the group's ability to generate additional external funds. These conditions, along with other matters as set forth in note 1 indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern.

PricewaterhouseCoopers LLP
Chartered Accountants, Cambridge,
20 May 2009

Notes:

- a. The maintenance and integrity of the Phytopharm plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
 - b. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.
-

Unaudited consolidated income statement

For the six months ended 31 March 2009

	Note	Unaudited six months ended 31 Mar 2009 £	Unaudited six months ended 31 Mar 2008 £
Revenue	2	716,170	1,385,628
Cost of sales		(156,729)	[95,875]
Gross profit		559,441	1,289,753
Other income		123,207	48,211
Net operating expenses	3	(3,193,257)	(3,232,867)
Operating loss		(2,510,609)	(1,894,903)
Before exceptional items		(2,218,116)	(1,894,903)
Exceptional items	4	(292,493)	-
Interest receivable and similar income		147,190	37,989
Loss on ordinary activities before taxation		(2,363,419)	(1,856,914)
Tax credit on loss on ordinary activities	5	156,343	90,432
Loss for the half year period		(2,207,076)	(1,766,482)
Basic and diluted loss per ordinary share (pence)	6	(2.3)	(3.1)

All revenues and expenses shown above were generated from continuing activities.

Unaudited consolidated balance sheet

As at 31 March 2009

	Note	Unaudited at 31 Mar 2009 £	Unaudited at 31 Mar 2008 £	Audited at 30 Sep 2008 £
Non-current assets				
Property, plant and equipment		185,292	152,355	204,220
Intangible assets	7	99,400	99,400	99,400
Non-current assets		284,692	251,755	303,620
Current assets				
Inventories	8	280,997	615,336	400,231
Trade and other receivables	9	541,687	873,671	483,875
Current tax receivable		157,033	90,432	200,108
Money market investments		5,000,000	-	5,500,000
Cash and cash equivalents		730,849	8,799,571	1,607,067
Current assets		6,710,566	10,379,010	8,191,281
Current liabilities				
Trade and other payables	10	(1,945,290)	(1,940,475)	(1,333,586)
Net assets		5,049,968	8,690,290	7,161,315
Equity				
Share capital	11	945,484	945,440	945,484
Share premium		55,709,052	55,663,851	55,671,139
Other reserves (deficit)		(204,211)	(204,211)	(204,211)
Profit and loss account (deficit)		(51,400,357)	(47,714,790)	(49,251,097)
Shareholders' funds		5,049,968	8,690,290	7,161,315

Unaudited consolidated statement of changes in shareholders' equity

For the six months ended 31 March 2009

	Share capital £	Share premium £	Other reserves (deficit) £	Profit and loss account (deficit) £	Total £
Balance at 1 October 2007	556,063	48,685,559	(204,211)	(46,236,749)	2,800,662
Loss for the period	-	-	-	(1,766,482)	(1,766,482)
Issue of equity share capital	389,377	6,978,292	-	-	7,367,669
Equity share options charge	-	-	-	288,441	288,441
Balance at 31 March 2008	945,440	55,663,851	(204,211)	(47,714,790)	8,690,290
Loss for the period	-	-	-	(508,220)	(508,220)
Issue of equity share capital	44	7,288	-	-	7,332
Purchase of shares in Phytopharm plc	-	-	-	(2,220)	(2,220)
Equity share options charge	-	-	-	(1,025,867)	(1,025,867)
Balance at 30 September 2008	945,484	55,671,139	(204,211)	(49,251,097)	7,161,315
Loss for the period	-	-	-	(2,207,076)	(2,207,076)
Share issue costs recovered	-	37,913	-	-	37,913
Purchase of shares in Phytopharm plc	-	-	-	(2,381)	(2,381)
Equity share options charge	-	-	-	60,197	60,197
Balance at 31 March 2009	945,484	55,709,052	(204,211)	(51,400,357)	5,049,968

Unaudited consolidated cash flow statement

For the six months ended 31 March 2009

	Unaudited six months ended 31 Mar 2009 £	Unaudited six months ended 31 Mar 2008 £
Cash flow from operating activities		
Operating loss	(2,510,609)	(1,894,903)
Depreciation	54,938	43,106
Gain on disposal of property, plant and equipment	(198)	(2,694)
Share option charge	60,197	288,441
	(2,395,672)	(1,566,050)
Changes in working capital		
(Increase) in trade and other receivables	(57,812)	(362,608)
Increase in trade and other payables	611,704	587,094
Decrease in inventories	119,234	68,147
Cash used in operations	(1,722,546)	(1,273,417)
Taxation received	199,418	521,168
Net cash used in operating activities	(1,523,128)	(752,249)
Cash flows from investing activities		
Purchase of property, plant & equipment	(41,112)	(185)
Sale of property, plant & equipment	5,300	7,250
Purchase of intangible fixed assets	-	(99,400)
Purchase of shares of Phytopharm plc	(2,381)	-
Interest received	147,190	37,989
Net cash generated from/(used in) investing activities	108,997	(54,346)
Cash flows from financing activities		
Issue of shares	-	8,564,390
Share issue costs	-	(1,199,171)
Share issue costs recovered	37,913	-
Movement in money market investments	500,000	-
Net cash generated from financing activities	537,913	7,365,219
Movements in cash and cash equivalents in the period	(876,218)	6,558,624
Cash and cash equivalents at the beginning of the period	1,607,067	2,240,947
Cash and cash equivalents at the end of the period	730,849	8,799,571

Notes to the unaudited condensed consolidated interim financial statements for the six months ended 31 March 2009

1. General information, accounting policies and basis of preparation

Phytopharm plc is a public limited company with a listing on the London Stock Exchange.

This condensed consolidated financial information was approved for issue on 20 May 2009 and comprises the consolidated interim balance sheets as at 31 March 2009 and 31 March 2008 and the year end balance sheet at 30 September 2008 together with the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the periods then ended of Phytopharm plc.

In preparing this condensed consolidated financial information in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim financial reporting" as adopted by the European Union, management has used the principal accounting policies set out in the Group's annual financial statements for the period ended 30 September 2008, which have been prepared in accordance with IFRSs as adopted by the European Union.

The condensed consolidated interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 but has been reviewed by the auditors in accordance with ISRE 2410 (UK and Ireland) issued by the Auditing Practices Board. The Group's statutory accounts for the year ended 30 September 2008 have been delivered to the Registrar of Companies; the report of the auditors on these accounts was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

Going concern

This interim financial information has been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. As at 31 March 2009 the Company had cash and money market investments of £5,730,849 (31 March 2008 £8,799,571).

Phytopharm is a pharmaceutical and functional food development company with a marketed product, Phytopica®, which is generating revenues.

The Directors have reviewed the working capital requirements of the Group for the next twelve months. In order to support the development of the Company's product candidates, the Group plans to incur future expenses which may be considerably in excess of revenue, thereby incurring operating losses. The Directors believe that the Group will have sufficient resources to continue as a going concern for at least a period of twelve months from the date of approval of these interim financial statements. In order to maintain our priority programmes, it is our intention to achieve substantial cost savings while continuing to pursue sources of non-dilutive revenue. Additional funds such as charitable income, collaboration deals and/or further financing may be required to allow further scope for product development. The availability and timing of such external funds represents a material uncertainty.

Critical accounting policies

The preparation of the consolidated interim financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The main accounting judgements relate to inventory valuation, the share option charge and the underlying assumptions. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Accounting policies

The accounting policies adopted are consistent with those of the financial statements for the year ended 30 September 2008, as described in those financial statements.

The IASB and IFRIC issued additional standards and interpretations which are effective for the period ending 30 September 2009.

The following standards have been issued by the IASB and endorsed by the EU, but have not been early adopted by the group.

	Effective date – periods beginning on or after
International Financial Reporting Standards (IFRS/IAS)	
Annual improvements to IFRSs 2008	1 January 2009
Amendment to IFRS 1 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' on the 'Cost of an investment in a subsidiary, jointly controlled entity or associate'	1 July 2009
Amendment to IAS 39, 'Financial instruments: Recognition and measurement' and IFRS 7, 'Financial instruments: Disclosures' on the 'Reclassification of financial assets'	1 July 2008, amended from 1 November 2008
IFRS 8, 'Operating Segments'	1 January 2009
IFRS 2, 'Share-based Payment – amendment relating to vesting conditions and cancellations'	1 January 2009
IAS 1 (revised), 'Presentation of financial statements'	1 January 2009
IAS 23 (revised), 'Borrowing costs'	1 January 2009

The following standards have been issued by the IASB but have not yet been endorsed by the EU, so are not yet effective.

	Effective date – periods beginning on or after
International Financial Reporting Standards (IFRS/IAS)	
Annual improvements to IFRSs 2009	1 January 2010
Amendments to IFRIC 9 and IAS 39 regarding embedded derivatives	1 July 2008
Amendment to IFRS 7, 'Financial instruments: Disclosures'	1 January 2009
Amendment to IAS 39, 'Financial Instruments: Recognition and measurement' on 'Eligible hedged items'	1 July 2009
Amendment to IAS 32, 'Financial instruments: Presentation', and IAS 1, 'Presentation of financial statements' on 'Puttable financial instruments and obligations arising on liquidation'	1 January 2009
IFRS 3 (revised), 'Business combinations'	1 July 2009
IAS 27 (revised), 'Consolidated and separate financial statements'	1 July 2009

The following IFRIC interpretations have become effective recently but have not been early adopted by the group.

	Effective date – periods beginning on or after
International Financial Interpretations Committee (IFRIC)	
IFRIC 15, "Agreements for the Construction of Real Estate"	1 January 2009
IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"	1 October 2008
IFRIC 17, "Distributions of Non-cash Assets to Owners"	1 July 2009
IFRIC 18, "Transfers of Assets from Customers"	1 July 2009

The Group does not anticipate that these standards and interpretations will have a material effect on its financial statements.

2. Business and geographical segments

The Group's development and other functions operate across both pharmaceutical products and functional foods, are managed centrally and are reported internally as a single business. This also applies to the Group's marketed products. Accordingly, the Directors consider that there is only one primary reporting segment. Geographic segments are secondary as neither geographical origin nor destination is central to management's assessment of risk and return.

Notes to the unaudited condensed consolidated interim financial statements for the six months ended 31 March 2009

2. Business and geographical segments cont.

	Six months ended 31 Mar 2009 £ Unaudited	Six months ended 31 Mar 2008 £ Unaudited
Revenue		
Rest of Europe	503,673	1,174,930
United Kingdom	131,090	210,698
Asia	81,407	–
	716,170	1,385,628
Other income		
USA ¹	123,207	48,211
	839,377	1,433,839

¹ Represents grant income received.

3. Net operating expenses

	Six months ended 31 Mar 2009 £ Unaudited	Six months ended 31 Mar 2008 £ Unaudited
Research and development	2,313,522	2,483,131
Administrative expenses	879,735	749,736
	3,193,257	3,232,867

4. Exceptional items

Exceptional items represent significant items of income or expense which due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance during the period. Exceptional items in the period comprise the restructuring costs following the Group's business strategy review of £76,250 together with the costs of the contractual notice periods for the former CEO and CFO of £216,243. The exceptional items in the period included £102,893 of research and development costs and £189,600 of administrative expenses. There were no exceptional items for the six months ended 31 March 2008.

5. Tax on loss on ordinary activities

There is no corporation tax charge because of the incidence of tax losses. The Company has taken advantage of the Research and Development corporation tax credits introduced in the Finance Act 2000 whereby a company may surrender corporation tax losses incurred on research and development expenditure for a corporation tax refund at the rate of 24.5 pence on the pound of actual expenditure.

6. Loss per ordinary share

Basic loss per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Since the Group is loss making there is no such dilutive impact.

	Six months ended 31 Mar 2009 £ Unaudited	Six months ended 31 Mar 2008 £ Unaudited
Attributable loss (£)	(2,207,076)	(1,766,482)
Weighted average number of shares in issue	94,548,391	56,457,217
Basic and diluted loss per ordinary share (pence)	(2.3)	(3.1)

7. Intangible assets

Patents and know how licences acquired have been recognised as an intangible asset at cost.

8. Inventories

	Six months ended 31 Mar 2009 £ Unaudited	Six months ended 31 Mar 2008 £ Unaudited	Six months ended 30 Sept 2008 £ Audited
Finished goods and goods for resale	–	–	69,708
Work in progress	126,292	181,741	126,292
Raw materials and consumables	154,705	433,595	204,231
	280,997	615,336	400,231

9. Trade and other receivables

	Six months ended 31 Mar 2009 £ Unaudited	Six months ended 31 Mar 2008 £ Unaudited	Six months ended 30 Sept 2008 £ Audited
Trade receivables	150,136	730,483	54,330
Other receivables	106,122	19,278	27,427
Prepayments and accrued income	285,429	123,910	402,118
	541,687	873,671	483,875

10. Trade and other payables

	Six months ended 31 Mar 2009 £ Unaudited	Six months ended 31 Mar 2008 £ Unaudited	Six months ended 30 Sept 2008 £ Audited
Trade payables	606,654	761,147	343,461
Other payables	14,208	16,778	14,596
Other taxation and social security	20	89,440	44,689
Accruals and deferred income	1,324,408	1,073,110	930,840
	1,945,290	1,940,475	1,333,586

11. Share capital

	Six months ended 31 Mar 2009 £ Unaudited	Six months ended 31 Mar 2008 £ Unaudited	Six months ended 30 Sept 2008 £ Audited
Authorised			
150,000,000 (31 March 2008: 150,000,000; 30 September 2008: 150,000,000) ordinary shares of 1 pence each	1,500,000	1,500,000	1,500,000
Allotted, called-up and fully paid			
94,548,391 (31 March 2008: 94,544,038; 30 September 2008: 94,548,391) ordinary shares of 1 pence each	945,484	945,440	945,484

In the six months to 31 March 2009 no shares were issued for cash.

12. Related party transactions

The Group had no related party transactions requiring disclosure.

13. Post balance sheet events

There are no post balance sheet events of significance.

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