

23 May 2013



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Interim results for the six months ended 31 March 2013

Phytopharm plc (PYM: London Stock Exchange) ("Phytopharm" or the "Company" or the "Group") today announces its unaudited interim results for the six months ended 31 March 2013.

On the 18 February 2013 Phytopharm announced that analysis of the headline results from its Phase II clinical trial of Cogane™ in Parkinson's disease indicated that the drug had not demonstrated clinically meaningful efficacy. After discussions with the Company's major shareholder the Board initiated a review of the strategic options available to the Company, including a review of a number of merger and acquisition opportunities. Further to this, the Board of Phytopharm is pleased to announce that Phytopharm has recently signed heads of terms in connection with the possible acquisition of a revenue generating UK based private company in the healthcare sector ("Target").

The transaction would be structured by way of an acquisition of the Target by Phytopharm in consideration for the issue of new Phytopharm shares to the shareholders of the Target. Due to its size in relation to Phytopharm, the proposed acquisition of the Target constitutes a "reverse takeover" for the purposes of the Listing Rules. At the request of the Company, trading in Phytopharm's Premium listed shares on the Main Market of the London Stock Exchange ("Main Market") was suspended on 21 May 2013 by the UK Listing Authority pending publication of the required shareholder documents. Shareholder approval would be required to approve the acquisition of the Target which would be sought at a general meeting to be convened in due course, after which the Company also expects to delist from the Main Market and seek admission of the enlarged share capital to trading on AIM. The Company expects to make a further announcement in due course.

Financial summary

- No further research and development expenditure has been committed and a staff reduction programme has been put in place.
- Loss after tax of £2.65 million (HY 2012: £4.88 million).
- Cash and money market investments of £6.33 million (HY 2012: £13.33 million; FY 2012: £8.89 million).

Business review

Business review

In February 2013, Phytopharm announced the results from its Phase II clinical trial of Cogane™ in Parkinson's disease. Analysis of the complete dataset has been performed which confirmed that Cogane™ had no beneficial effects on patients' symptoms measured by the primary or secondary endpoints in the study, although the plasma levels of Cogane™ in Cogane™-dosed patients were in line with expectations, indicating that the drug had been well absorbed.

Study details

Over four hundred subjects with early-stage Parkinson's disease were randomly allocated to receive either Cogane™ 60 mg, 120 mg or 180 mg, or placebo, taken orally, once daily for up to 28 weeks. Measurements were taken during the study to determine the efficacy, safety and tolerability of each dose of Cogane™ compared with placebo and also the systemic exposure to Cogane™.

The prospectively defined primary endpoint in this study was the change in the combined UPDRS II/III score (an assessment of activities of daily living and motor symptoms) from baseline to end-of-treatment for each dose of Cogane™ vs. placebo. A number of secondary efficacy outcome measures were also explored.

No statistically significant effects or trends towards improvement were seen in any of these endpoints. Analysis of the results indicates that the study was well conducted and gave a clear, albeit negative, result.

Review of the safety data confirmed that Cogane™ administered orally once daily for up to 28 weeks was well tolerated.

The full results of the study will be published in an appropriate scientific forum in due course.

Cogane™ and Myogane™ programmes

Cogane™ and Myogane™ are structurally related, small molecule, chemical entities and members of the sapogenin class of compounds. Both compounds have been in development as potential treatments for a number of neurodegenerative diseases. Following the disappointing results from the CONFIDENT-PD clinical trial, no further research and development expenditure has been committed on these programmes and the Group is in discussions with an external party regarding further research being conducted on these compounds. Any such research would be carried out under licensing arrangements and Phytopharm will retain a commercial interest in any future milestone and royalty revenues.

P61 programme

The P61 programme is a series of novel new chemical entities which exhibit anti-inflammatory, anti-remodelling and TRPV1 modulating activities. Given the early stage of the programme, the Group does not expect that it will receive any significant revenues from the programme in the short or medium term.

Financial review

Financial review

The financial performance reflects the Group's pharmaceutical development activities in neurodegenerative diseases during the six month period.

Income statement

Revenue

The Group did not recognise any revenues from continuing operations or other income during the six months ended 31 March 2013 (revenue HY 2012: £0.02 million; other income £0.07 million).

Research and development expenses

Research and development expenses for the period were in line with our expectations at £2.41 million compared to £4.83 million for the six months ended 31 March 2012. This reduction follows the completion of the CONFIDENT-PD clinical trial and its supporting activities during the period.

Administration expenses

Phytopharm operates with a low cost base which is reflected in our administrative expenses for the period of £0.64 million compared to £0.55 million in the comparative period.

Finance income

Finance income for the period decreased to £0.06 million (HY 2012: £0.12 million) and represents interest received and receivable from our cash balances. This reduction reflects the utilisation of our cash resources on our research and development programmes.

Taxation

The corporation tax refund for the period of £0.34 million (HY 2012: 0.29 million) represents amounts that are expected to be received under current legislation on research and development tax credits. The increase in the amount receivable arises from changes to the research and development corporation tax system which were enacted in July 2012 partially offset by the reduction in research and development expenses.

Balance sheet

Non-current assets

Non-current assets representing property, plant and equipment amounted to £0.05 million compared to £0.06 million at 30 September 2012 and £0.08 million at 31 March 2012.

Current assets

Current assets at 31 March 2013 amounted to £7.01 million (HY 2012: £14.10 million; FY 2012: £10.53 million). Movements in current assets principally related to increased research and development tax credit receivable (HY 2013: £0.34 million; FY 2012: £1.32 million; HY 2012: £0.29 million) offset by a reduction in our cash balances representing expenditure on our research and development programmes.

Cash and money market investment balances of £6.33 million (HY 2012: £13.33 million; FY2012: £8.89 million) comprise money market investments and cash and cash equivalents. Money market investment represent fixed-rate, short-term deposits, placed with a range of financial institutions at fixed terms with a maturity date of more than three months. Cash and cash equivalents are invested with a similar range of financial institutions for a period of 90 days or less.

Current liabilities

Our current liabilities principally comprise trade and other payables of £1.29 million (HY 2012: £3.02 million; FY 2012: £2.22 million). These amounts principally reflect the recognition of costs incurred but not yet settled for the CONFIDENT-PD clinical trial completed during the period.

Equity

Share capital and share premium and other reserves amounted to £3.47 million and £77.29 million respectively at 31 March 2013 and remain unchanged compared to 30 September 2012. During the financial year ended 30 September 2012, share capital and share premium and other reserves increased slightly due to the exercise of share options under which the Group issued 99,777 new ordinary shares for cash.

Cash flow

During the six months ended 31 March 2013 cash resources were utilised principally for the completion of the CONFIDENT-PD clinical trial and supporting activities and the net cash used in operating activities totalled £2.64 million (HY 2012: £4.30 million).

Outlook

On 21 May 2013 Phytopharm announced that following a strategic review of the business, it had signed heads of terms for the possible acquisition of a revenue generating UK based private company in the healthcare sector. The transaction will be structured by way of an acquisition of the Target by Phytopharm in consideration for the issue of new Phytopharm shares to the shareholders of the Target. The Company expects to make a further announcement in due course.

Financial review

No further research and development commitments will be made on our pharmaceutical programmes and a staff reduction programme has been initiated.

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 Company'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 on information known to the Company on the date of this release. The Company 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 Company's forward looking-statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of the Company.

Principal risks and uncertainties

Principal risks and uncertainties

As discussed under the section headed Business Review, Phytopharm has signed heads of terms for the possible acquisition of a revenue generating UK based private company in the healthcare sector. Shareholder approval of the proposed acquisition will be sought in due course which will include providing shareholders with information regarding the future strategy for the Group including an assessment of the principal risks and uncertainties associated with that strategy.

The main risks and uncertainties for the second half of the financial year comprise those connected with the proposed acquisition of the Target.

As at 31 March 2013, the Group had cash resources of £6.33 million which the Group considers sufficient for its present requirements.

Responsibility statement

The Directors confirm that this condensed set of financial statements has been prepared in accordance with International Accounting Standard ('IAS') 34, 'Interim financial reporting', 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 year ended 30 September 2012.

By order of the Board

Zoe McGowan

Company Secretary

22 May 2013

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 2013, which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated 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 Conduct 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 Conduct 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 2013 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 Conduct Authority.

PricewaterhouseCoopers LLP

Chartered Accountants

Cambridge

22 May 2013

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.

Consolidated statement of comprehensive income for the six months ended 31 March 2013

		Unaudited Six months ended 31 March 2013	Unaudited Six months ended 31 March 2012
	Notes	£	£
Revenue	2	—	17,474
Cost of sales		—	—
Gross profit		—	17,474
Other income	2	—	66,343
Operating expenses	3	(3,054,043)	(5,380,180)
Operating loss		(3,054,043)	(5,296,363)
Finance income		58,195	120,315
Loss before taxation		(2,995,848)	(5,176,048)
Taxation	4	342,011	291,786
Loss and total comprehensive losses for the period		(2,653,837)	(4,884,262)
Basic and diluted loss per ordinary share (pence)	5	(0.8)	(1.4)

The notes on pages 12 to 16 form an integral part of these condensed consolidated interim financial statements.

Consolidated balance sheet at 31 March 2013

		Unaudited at 31 March 2013	Unaudited at 31 March 2012	Audited at 30 September 2012
	Notes	£	£	£
Assets				
Non-current assets				
Property, plant and equipment		49,898	83,394	62,284
Non-current assets		49,898	83,394	62,284
Current assets				
Other receivables	6	333,838	475,425	321,562
Current tax receivable		342,011	291,786	1,318,109
Money market investments		3,601,515	10,600,000	8,600,507
Cash and cash equivalents		2,729,055	2,734,240	286,713
Current assets		7,006,419	14,101,451	10,526,891
Total assets		7,056,317	14,184,845	10,589,175
Liabilities and equity				
Current liabilities				
Trade and other payables	7	1,289,251	3,023,463	2,215,453
Current liabilities		1,289,251	3,023,463	2,215,453
Equity attributable to the owners of the parent				
Ordinary shares	8	3,469,017	3,468,019	3,469,017
Share premium and other reserves		77,286,854	77,283,731	77,286,854
Merger reserve		(204,211)	(204,211)	(204,211)
Accumulated loss		(74,784,594)	(69,386,157)	(72,177,938)
Total equity		5,767,066	11,161,382	8,373,722
Total liabilities and equity		7,056,317	14,184,845	10,589,175

The notes on pages 12 to 16 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of changes in equity for the six months ended 31 March 2013

	Notes	Unaudited Ordinary shares	Unaudited Share premium and other reserves	Unaudited Merger reserve	Unaudited Accumulated losses	Unaudited Total
		£	£	£	£	£
Balance at 1 October 2011		3,468,019	77,283,731	(204,211)	(64,583,541)	15,963,998
Comprehensive income						
Loss attributable to owners of the parent		—	—	—	(4,884,262)	(4,884,262)
		—	—	—	(4,884,262)	(4,884,262)
Transactions with owners:						
Purchase of shares in Phytopharm plc	8	—	—	—	(2,071)	(2,071)
Credit in respect of share options		—	—	—	83,717	83,717
Transactions with owners		—	—	—	81,646	81,646
Balance at 31 March 2012 and 1 April 2012		3,468,019	77,283,731	(204,211)	(69,386,157)	11,161,382
Comprehensive income						
Loss attributable to owners of the parent		—	—	—	(2,882,047)	(2,882,047)
		—	—	—	(2,882,047)	(2,882,047)
Transactions with owners:						
Issue of ordinary shares	8	998	3,123	—	—	4,121
Purchase of shares in Phytopharm plc	8	—	—	—	(2,100)	(2,100)
Credit in respect of share options		—	—	—	92,366	92,366
Transactions with owners		998	3,123	—	90,266	94,387
Balance at 30 September 2012 and 1 October 2012		3,469,017	77,286,854	(204,211)	(72,177,938)	8,373,722
Comprehensive income						
Loss attributable to owners of the parent		—	—	—	(2,653,837)	(2,653,837)
		—	—	—	(2,653,837)	(2,653,837)
Transactions with owners:						
Purchase of shares in Phytopharm plc	8	—	—	—	(1,751)	(1,751)
Credit in respect of share options		—	—	—	48,932	48,932
Transactions with owners		—	—	—	47,181	47,181
Balance at 31 March 2013		3,469,017	77,286,854	(204,211)	(74,784,594)	5,767,066

The notes on pages 12 to 16 form an integral part of these condensed consolidated interim financial statements.

Consolidated cash flow statement for the six months ended 31 March 2013

	Unaudited Six months ended 31 Mar 2013	Unaudited Six months ended 31 Mar 2012
	£	£
Cash flows from operating activities		
Loss for the period	(2,653,837)	(4,884,262)
Finance income	(58,195)	(120,315)
Taxation	(342,011)	(291,786)
Depreciation	13,796	16,203
Share option charge	48,932	83,717
	(2,991,315)	(5,196,443)
Changes in working capital		
(Increase)/decrease in trade and other receivables	(41,914)	25,090
(Decrease)/increase in trade and other payables	(926,202)	390,156
Cash used in operations	(3,959,431)	(4,781,197)
Taxation received	1,318,109	479,229
Net cash used in operating activities	(2,641,322)	(4,301,968)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,410)	(15,951)
Interest received	87,833	79,754
Net cash generated from investing activities	86,423	63,803
Cash flows from financing activities		
Purchase of shares in Phytopharm plc	(1,751)	(2,071)
Movement in money market investments	4,998,992	3,900,000
Net cash generated from financing activities	4,997,241	3,897,929
Movements in cash and cash equivalents in the period	2,442,342	(340,236)
Cash and cash equivalents at the beginning of the period	286,713	3,074,476
Cash and cash equivalents at the end of the period	2,729,055	2,734,240
Money market investments at the end of the period	3,601,515	10,600,000
Total cash, cash equivalents and money market investments	6,330,570	13,334,240

The notes on pages 12 to 16 form an integral part of these condensed consolidated interim financial statements.

Notes to the unaudited financial statements for the six months ended 31 March 2013

1. General information, accounting policies and basis of preparation

Phytopharm plc is a public limited company incorporated and domiciled in the UK, with a listing on the London Stock Exchange. The address of its registered office is Lakeview House, 2 Lakeview Court, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6UA.

This condensed consolidated financial information was approved for issue on 22 May 2013 and comprises the consolidated interim balance sheets as at 31 March 2013 and 31 March 2012 and the year end balance sheet at 30 September 2012 together with the related consolidated interim statements of comprehensive income, cash flows and changes in equity for the periods ended 31 March 2013 and 31 March 2012 of Phytopharm plc.

In preparing this condensed consolidated financial information in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 year ended 30 September 2012, 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 2012 were approved by the Board of Directors on 30 November 2012 and have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Phytopharm has assessed its strategic options following the disappointing results from the CONFIDENT-PD clinical trial. On 21 May 2013 Phytopharm announced that following a strategic review of the business it had signed heads of terms for the possible acquisition of a revenue generating UK based private company in the healthcare sector. Shareholder approval of the proposed acquisition will be sought in due course and shareholders will be provided with information regarding the future strategy for the Group which will include an assessment of the principal risks and uncertainties.

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 2013 the Company had cash and money market investments of £6,330,570 (31 March 2012: £13,334,240).

After making enquiries and taking into account management's estimate of future expenditure, the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operation for the foreseeable future.

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 the period over which research and development costs are recognised and the share option charge and underlying assumptions. The Directors have assessed the inputs to the share option charge calculation and there is not considered to be a reasonable change to a metric that would result in a material adjustment to the share option charge.

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 2012, as described in those financial statements on pages 44 to 48, except for those matters relating to the adoption of new Standards as set out overleaf.

Notes to the unaudited financial statements for the six months ended 31 March 2013

1. General information, accounting policies and basis of preparation

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group. The following amendments to standards and new standards may impact the Group in the future:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group is yet to assess the full impact of the amendment to IAS 1 and intends to adopt this no later than the accounting period beginning on or after 1 October 2013.
- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 October 2015, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when issued.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 October 2013.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the unaudited financial statements for the six months ended 31 March 2013

2. Business and geographical segments

The Group's development and other functions operating across all the Group's research programmes are managed centrally and are reported internally as a single business. The chief operating decision-maker has been identified as the Executive Directors of Phytopharm plc. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports. Accordingly, the Directors consider that there is only one reporting segment.

Revenue by destination of the sale is as follows:

	Unaudited Six months ended 31 Mar 2013	Unaudited Six months ended 31 Mar 2012
	£	£
Revenue		
Europe	—	17,474
Other income		
United Kingdom ⁽ⁱ⁾	—	66,343
	—	83,817

(i) Represents grant income recognised

3. Operating expenses

	Unaudited Six months ended 31 Mar 2013	Unaudited Six months ended 31 Mar 2012
	£	£
Research and development	2,410,384	4,831,513
Administrative expenses	643,659	548,667
	3,054,043	5,380,180

Notes to the unaudited financial statements for the six months ended 31 March 2013

4. Tax on loss on ordinary activities

No corporation tax liability arises on the results for the period due to the loss incurred (2012: £nil). The Group 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.

5. Loss per ordinary share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period after the deduction of the weighted average number of the ordinary shares held by the employee benefit trust 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. The Company has no dilutive potential ordinary shares in issue because it is loss making.

	Unaudited Six months ended 31 Mar 2013	Unaudited Six months ended 31 Mar 2012
	£	£
Attributable loss (£)	(2,653,837)	(4,884,262)
Weighted average number of shares in issue	346,713,873	346,665,513
Basic and diluted loss per ordinary share (pence)	(0.8)	(1.4)

6. Other receivables

	Unaudited 31 Mar 2013	Unaudited 31 Mar 2012	Audited 30 Sep 2012
	£	£	£
Other receivables	211,607	79,135	103,227
Prepayments and accrued income	122,231	396,290	218,335
	333,838	475,425	321,562

7. Trade and other payables

	Unaudited 31 Mar 2013	Unaudited 31 Mar 2012	Audited 30 Sep 2012
	£	£	£
Trade payables	336,184	657,674	523,968
Other taxation and social security	49,308	39,221	38,921
Other payables	10,477	11,107	11,541
Accrued expenses	893,282	2,315,461	1,641,023
	1,289,251	3,023,463	2,215,453

Notes to the unaudited financial statements for the six months ended 31 March 2013

8. Ordinary shares

	Unaudited Ordinary shares	Unaudited Ordinary shares of 1 pence each	Unaudited Share premium
Phytopharm plc	Number	£	£
At 1 October 2011 and 31 March 2012	346,801,972	3,468,019	77,283,731
Issued under share option scheme	99,777	998	3,123
At 30 September 2012 and 31 March 2013	346,901,749	3,469,017	77,286,854

No shares have been issued in the six months ended 31 March 2013. In the year ended 30 September 2012, the Company issued 99,777 new ordinary shares of one pence each for total cash consideration of £4,121 following the exercise of share options. The nominal value of these shares was £998.

Phytopharm Share Incentive Plan 2007

Netted against the accumulated loss are purchases of shares in Phytopharm plc, which relate to the Phytopharm Share Incentive Plan 2007, under which the Company issued one "Matching Share" for every "Partnership Share" purchased by the employee. All shares are held by the scheme Trustees until the shares vest unconditionally with the employee. During the period, the Group purchased 17,827 Ordinary Shares of one pence (30 September 2012: 55,251; 31 March 2012: 25,995) at a total cost of £1,751 (30 September 2012: £4,171; 31 March 2012: £2,071).

9. Related party transactions

The Group consists of a parent, Phytopharm plc, a wholly-owned trading subsidiary, Phytotech Limited, and a dormant subsidiary, Phytodevelopments Limited.

The parent company is responsible for financing and setting Group strategy. Phytotech Limited carries out the Group's research and development strategy, employs all the staff including the executive directors and manages the Group's intellectual property. The proceeds of the issue of shares by the parent are passed from Phytopharm plc to Phytotech Limited as a loan and Phytotech Limited manages the Group's funds and makes payments, including managing the payments of the parent company.

There have been no disclosable related party transactions in the six months ended 31 March 2013 (31 March 2012: none) as the Group is not required to disclose intra-group transactions which are eliminated on consolidation.

10. Financial risk management

The Group's activities expose it to a variety of financial risks: capital risk, credit risk, liquidity risk, and foreign currency risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 September 2012.

There have been no changes in any risk management policies since year end and no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. There were no reclassifications of financial assets during the period.

11. Seasonality

The Group's financial results have not historically been subject to any significant seasonal trends.

12. Post balance sheet events

A number of changes to the UK Corporation tax system were announced in the March 2012 and March 2013 UK Budget Statements. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 is expected to be included in future Finance Bills. These further changes had not been substantively enacted at the interim balance sheet date. As the Group does not have any recognised deferred tax assets or liabilities, these expected changes would not have an impact on the financial statements at the interim balance sheet date.

Shareholder information

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