

Neuropharm Group plc
Half-year report
for the six months ended 31 December 2009

Registered number: 5983736

Neuropharm Group plc

Contents

	Page
Joint statement from the Chairman and Chief Executive Officer	2
Financial Review	5
Statement of Directors' responsibilities	7
Consolidated Income Statement	8
Consolidated Statement of Changes in Equity	9
Consolidated Balance Sheet	10
Consolidated Cash Flow Statement	11
Notes to the condensed consolidated financial statements	12
Independent review report to Neuropharm Group plc	18

Neuropharm Group plc

Joint statement from the Chairman and Chief Executive Officer

The six months to 31 December 2009 were a period of intense activity during which efforts were focused on identifying the most appropriate way to fund and realise the value in the Company, taking into account the requirements of all stakeholders and prevailing economic conditions. During the period we have significantly reduced the cash burn and minimised expenditure in research and development with the result that we had cash and cash equivalents of £6.18 million as at 31 December 2009.

Before providing an update on progress with identifying the most appropriate way forward, it would be useful to provide a brief history of Neuropharm since the company joined AIM in March 2007 with six programmes in CNS disorders to treat conditions including autism, Fragile X syndrome and obsessive compulsive disorder (OCD).

Since flotation we have demonstrated positive Phase IIa results in two programmes in Fragile X syndrome and the filing of a patent relating to child-onset OCD. The most advanced of our programmes, NPL-2008, is a novel formulation of fluoxetine for the treatment of repetitive behaviours in Autistic Disorder in children. Phase II work on fluoxetine in this indication had already been completed by Mount Sinai School of Medicine in the US. Fluoxetine is reported to be widely used off-label in autism.

Neuropharm raised £18.2 million (net) at flotation to fund a Phase III study of NPL-2008 and to support the development of the other programmes in the Company's pipeline. We began the multi-centre Phase III SOFIA study as a key step in the clinical development of NPL-2008, with the ultimate objective of registering and commercialising the product as the world's first licensed therapy for the treatment of a core symptom of Autistic Disorder. SOFIA was conducted in conjunction with Autism Speaks at 19 US sites following FDA review of the study design.

The results from this study, which were announced in February 2009, were both surprising and disappointing to all involved but provided valuable insights that have informed the design of a further Phase III trial. The SOFIA study showed that NPL-2008 reproduced a reduction in repetitive behaviours at a similar level to that seen in a previous study in children and adolescents with Autistic Disorder. However, the study did not meet its primary endpoint of demonstrating a statistically significant difference between NPL-2008 and placebo. This was because patients receiving placebo also showed a reduction in repetitive behaviours.

Such a placebo effect is not uncommon in clinical studies, particularly where psychiatric conditions are being studied. However, a placebo effect had not been seen in our previous studies in Autistic Disorder and had therefore not been anticipated in SOFIA. A detailed analysis conducted in consultation with leading clinicians, regulatory advisers and experts from the pharmaceutical industry was therefore conducted. This work revealed recent data from large datasets in psychiatry research which point to factors increasing the potential for a placebo effect when moving from Phase II to Phase III studies. This understanding and a detailed analysis of the SOFIA study data confirm that negative conclusions about the efficacy of NPL-2008 may not be justified and further study in children and adolescents with Autistic Disorder was warranted. The data also shed light on other recent unexpected negative results in studies of Autistic Disorder and how these should be interpreted.

These analyses have also assisted in the design of a second Phase III study, which would aim to address the issue of placebo responses and potentially allow completion of the Rolling New Drug Application that Neuropharm filed with the FDA in September 2008.

Given the unexpected result from the SOFIA study, and since Neuropharm did not have sufficient funds to complete the on-going development of NPL-2008, it was a key requirement to consider all alternatives for the future development of NPL-2008 and for the future of the Company. Despite careful cost control and a strong balance sheet it was clear that the Company needed to raise further funds or to secure a partner in order to continue development of the programmes.

Immediately following the SOFIA result Neuropharm entered into discussions under a confidentiality agreement with a third party pharmaceutical company for a potential collaboration for the further development of NPL-2008. Advanced discussions continued for some months, during which time the design of a second Phase III trial to mitigate the placebo effect was completed. The cost to conduct and complete a second Phase III trial and potentially allow the completion of the Rolling NDA was estimated by the Company at around £5 million.

Neuropharm Group plc

Joint statement from the Chairman and Chief Executive Officer

Following the announcement of the SOFIA result and then the Company's preliminary results in October 2009, the Company was advised by its nominated adviser and broker, Piper Jaffray Ltd, that there was significant uncertainty surrounding Neuropharm's ability successfully to raise further finance on AIM to continue funding its main programmes, reflecting the prevailing financial environment and an unwillingness of some significant shareholders to provide support or further funding for the Company.

Discussions continued with potential partners and, on 3 November 2009, we announced that we were seeking a sale or merger of the Company as this seemed to be the most likely route for maximising shareholder value and continuing the development of the pipeline of compounds. As a result, Neuropharm was deemed to be in an offer period for the purposes of the Takeover Code.

Following the result of the SOFIA study in February 2009 the Company took steps to reduce the cash burn to preserve the cash resources by placing research and development expenditure on hold. The details below summarise the latest position of our most advanced programmes. The Company continues in discussions with potential partners for the further development of these programmes but these are at an early stage.

PIPELINE UPDATE

NPL-2008: Autistic Disorder

On 18 February 2009 we announced that the SOFIA study had not met its primary endpoint of a statistical reduction in repetitive behaviours and that, compared with a previously successful Phase II trial, the results were both unexpected and disappointing. Unlike other SSRIs in paediatric studies in Autistic Disorder, NPL-2008 was well tolerated by patients in the SOFIA study and no serious adverse events were reported. NPL-2008 and placebo both conferred benefit in the SOFIA study, with both treatments reducing repetitive behaviours in patients, according to pre-determined response criterion. In the SOFIA study the placebo effect was markedly higher than in the Phase II study and, accordingly, no statistically significant difference was observed on the primary endpoint between the active and placebo treatment groups.

Following a detailed analysis and review of the SOFIA data we have designed a further Phase III study to mitigate the placebo effect seen in SOFIA. The study would include the potential for use of different dosages of NPL-2008, but these would be within the FDA's existing approved dose range for fluoxetine for use in children and adolescents and incorporating the low starting dose approach with fluoxetine which continues to be endorsed by leading US and UK clinical experts.

NPL-2005 & NPL-2009: Fragile X Syndrome

We have previously reported significant progress in our two programmes in Fragile X Syndrome, a condition caused by a mutation in the X chromosome that affects approximately 1 in every 3,800 male children and approximately 1 in every 8,000 female children. In Fragile X Syndrome the *FMR1* gene on the affected part of the chromosome shuts down and is unable to produce a protein needed by the brain for normal brain functioning. The condition, thought to be the most common cause of inherited intellectual disability, is the focus of considerable interest from medical, scientific and patient communities because the genetics and proteomics of the condition are fully understood, suggesting that successful treatment should be achievable.

Neuropharm has Orphan Drug Designation from FDA's Office of Orphan Product Development for its two potentially complementary programmes in Fragile X, NPL-2005 and NPL-2009. Positive Phase IIa results from both compounds were presented in July 2008.

NPL-2003: Obsessive Compulsive Disorder

NPL-2003 is an existing marketed product that the Company believes could be of benefit to children and some adults with Obsessive Compulsive Disorder (OCD).

Neuropharm Group plc

Joint statement from the Chairman and Chief Executive Officer

Patients with OCD display two principal features: repeated (obsessional) thoughts of a severely anxious nature and, in an attempt to reverse the obsessional anxieties, repeated ineffectual (compulsive) behaviour or thoughts, such as repeated hand-washing. Depression, social phobia and substance abuse rates are higher in these patients than in the general population.

There are a number of different types of OCD, some of which occur for the first time in adults and others that are characterised as having an onset in childhood.

Two small, open-label Phase II studies of NPL-2003 have been carried out in the US through our collaborations with Columbia University, New York, and University Hospitals Case Medical Center at Case Western Reserve University School of Medicine, Cleveland. These studies were carried out in adolescent and adult patients and provided combined data suggesting that NPL-2003 demonstrates therapeutic benefit in patients whose OCD started in childhood, irrespective of their age during treatment. The Company has filed a patent application which is under examination and an initial report has been accepted for publication in a relevant medical journal.

OUTLOOK

Our measures to conserve cash have successfully resulted in the Company having £6.18 million of cash and cash equivalents at the period end.

The Board is exploring a return of cash to shareholders through a Members' Voluntary Liquidation of the AIM quoted company, Neuropharm Group plc. Meanwhile discussions in connection with the sale or merger of the Company or its assets are on-going but early stage.

In anticipation of either a sale of the Company or Neuropharm Limited or its programmes, or a Members' Voluntary Liquidation, the Board has also decided to give notice to all employees including the three Executive Directors.



Graeme M. Hart
Chairman



Robert G. Mansfield
Chief Executive Officer

22 March 2010

Neuropharm Group plc

Financial Review

The financial statements for the six months ended 31 December 2009 are presented in accordance with the Group's accounting policies based on International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Cash, cash equivalents and money market investments at 31 December 2009 totalled £6.18 million (30 June 2009: £7.04 million).

Results of operations

We report a loss after tax of £1.2 million for the six months ended 31 December 2009 (31 December 2008: £3.5 million), which is to be set against reserves. The Directors do not recommend the payment of a dividend (31 December 2008: £nil).

Our virtual model enables us to have a low fixed cost base and keep variable costs tightly controlled, with decisions regarding investment in our pipeline and development of our US organisation dependent on regular review by the Directors. We ensured that the committed costs of our US organisation, and pre-launch marketing of NPL-2008, were kept to a minimum awaiting the result of the SOFIA study in February 2009. Following the outcome of the SOFIA study, we acted promptly to implement a cost reduction programme. During the six months ended 31 December 2009 research and development expenses were placed on hold and steps were taken to reduce further Neuropharm's overhead including making redundancies.

This approach has given us increased control over our cash-burn which has been dramatically reduced and enabled us to preserve our cash balance.

Research and development expenses

Following result of the SOFIA study in February 2009, research and development expenses were placed on hold and the SOFIA and EMMA studies closed down in an orderly manner.

Research and development expenses were £67,000 in the six months ended 31 December 2009 (31 December 2008: £2.3 million), of which £17,000 was run-off clinical trials insurance and £25,000 regulatory work.

Selling, marketing and distribution expenses

Selling, marketing and distribution expenses consist primarily of consultancy fees for market research, brand identity and launch planning strategy invested in initial preparations for the pre-launch marketing of NPL-2008. Following result of the SOFIA study these costs were closed down in an orderly manner. Selling, marketing and distribution expenses were £nil in the six months ended 31 December 2009 (31 December 2008: £0.2 million).

Other management and administration expenses

Other management and administration expenses were £1.1 million (31 December 2008: £1.6 million). These consist primarily of remuneration for employees, rent, travel and expenses, professional fees, insurances, fees for Non-Executive Directors and costs associated with maintaining the quotation of the Company's securities on AIM.

Share option expense

A share option expense of £0.1 million has been charged for the six months ended 31 December 2009 (31 December 2008: £0.3 million).

Impairment charge

During the six months ended 31 December 2008 the Company impaired in full the value of the intangible asset and tooling, since there remained uncertainty regarding funding, the future of NPL-2008 and the Company.

Neuropharm Group plc

Financial Review

Investment income

The Company invests its surplus funds in bank deposits and money market investments of up to one year, according to the terms of the Group's Treasury Policy. In the six months ended 31 December 2009 interest receivable was £32,000 (31 December 2008: £0.3 million), in line with surplus funds being invested in term deposits of up to one month, the decline in the interest rates commercially available and the decrease in surplus funds.

Taxation

The Group makes claims each year for research and development tax credits and, as it is loss-making, elects to surrender these tax credits for a cash rebate. A tax credit refund of £0.6m was received in December 2009.

In the six months ended 31 December 2009 there was a taxation charge of £1,000 (31 December 2008: taxation refund of £31,000), split £16,000 balance of tax credit refund received over that accrued at 30 June 2009 and US tax charge for Neuropharm Inc of £17,000.

Liquidity, cash and cash equivalents, and money market investments

The net cash used in operating activities was £0.9 million (31 December 2008: £3.5 million).

Accrued income and margin deposits at 30 June 2009 were £nil (31 December 2008: £0.2 million). The decrease is due to the Company's decision to shorten maturity dates for term deposits to less than one month. There was no hedging of foreign currency exposure through forward foreign exchange contracts, and therefore no margin deposits, at the half-year end.

Trade and other receivables at 31 December 2009 were £0.1 million (31 December 2008: £0.2 million).

Trade and other payables at 31 December 2009 were £0.2 million (31 December 2008: £1.1 million), primarily due to the retrenchment of spend following the result of the SOFIA study.

Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

There were no other related party transactions during the six months ended 31 December 2009.

Going concern

As disclosed in note 2 to the consolidated financial statements, having made relevant and appropriate enquiries, including consideration of the Group's current cash resources and cash flow forecasts, the Board has a reasonable expectation that, at the time of approving the financial statements, the Group has adequate resources to continue in operational existence for at least the next 12 months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.



Graham E. Yeatman

Chief Financial Officer

22 March 2010

Neuropharm Group plc

Statement of Directors' responsibilities

We confirm to the best of our knowledge:

- a. the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- b. the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months) except for the omission of principal risks and uncertainties for the remaining six months of the year; and
- c. the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board



Robert G. Mansfield
Chief Executive Officer



Graham E. Yeatman
Chief Financial Officer

22 March 2010

Neuropharm Group plc

Consolidated Income Statement Six months ended 31 December 2009

	Note	Six months ended 31 Dec 2009 £'000	Six months ended 31 Dec 2008 £'000	Year ended 30 June 2009 £'000
Research and development expenses		(67)	(2,262)	(3,472)
Selling, marketing and distribution costs		-	(246)	(454)
Other management and administration expenses		(1,087)	(1,553)	(3,167)
Movement on provision for National Insurance on share options		-	45	97
Share option expense		(91)	(308)	(450)
Impairment charge	6,7	-	(189)	(189)
Total management and administration expenses		(1,178)	(2,005)	(3,709)
Operating loss		(1,245)	(4,513)	(7,635)
Investment income		32	305	442
Other gains and losses	4	(11)	719	693
Loss on ordinary activities before tax		(1,224)	(3,489)	(6,500)
Taxation		(1)	31	616
Loss for the period		(1,225)	(3,458)	(5,884)
Loss per share				
Basic and diluted	5	(3.9)p	(11.0)p	(18.7)p

All results derive from continuing operations.

Neuropharm Group plc

Consolidated Statement of Changes in Equity Six months ended 31 December 2009

	Called up share capital £'000	Share premium account £'000	Other reserve £'000	Foreign currency translation reserve £'000	Share-based compensation £'000	Retained loss £'000	Total £'000
At 30 June 2008	3,154	17,269	(607)	-	632	(7,790)	12,658
Share option expense	-	-	-	-	308	-	308
Reserve transfer	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(3,458)	(3,458)
At 31 December 2008	3,154	17,269	(607)	-	940	(11,248)	9,508
Share option expense	-	-	-	-	142	-	142
Foreign exchange adjustments on consolidation	-	-	-	33	-	-	33
Total comprehensive loss for the period	-	-	-	-	-	(2,426)	(2,426)
At 30 June 2009	3,154	17,269	(607)	33	1,082	(13,674)	7,257
Share option expense	-	-	-	-	91	-	91
Foreign exchange adjustments on consolidation	-	-	-	4	-	-	4
Total comprehensive loss for the period	-	-	-	-	-	(1,225)	(1,225)
At 31 December 2009	3,154	17,269	(607)	37	1,173	(14,899)	6,127

Neuropharm Group plc

Consolidated Balance Sheet 31 December 2009

	Note	31 Dec 2009 £'000	31 Dec 2008 £'000	30 June 2009 £'000
Non-current assets				
Intangible assets	6	-	-	-
Property, plant and equipment	7	11	16	16
		<u>11</u>	<u>16</u>	<u>16</u>
Current assets				
Accrued income and margin deposits		-	180	63
Trade and other receivables		145	182	95
Derivative financial instruments		-	150	-
Research and development tax credits receivable		-	-	600
Money market investments		-	6,500	1,000
Cash and cash equivalents		6,182	3,676	6,037
		<u>6,327</u>	<u>10,688</u>	<u>7,795</u>
Current liabilities				
Trade and other payables		(211)	(1,144)	(554)
Net current assets		<u>6,116</u>	<u>9,544</u>	<u>7,241</u>
Total assets less current liabilities		<u>6,127</u>	<u>9,560</u>	<u>7,257</u>
Non-current liabilities				
Long-term provisions		-	(52)	-
Net assets		<u>6,127</u>	<u>9,508</u>	<u>7,257</u>
Equity				
Share capital		3,154	3,154	3,154
Share premium account		17,269	17,269	17,269
Other reserve		(607)	(607)	(607)
Foreign currency translation reserve		37	-	33
Retained loss		(14,899)	(11,248)	(13,674)
Share-based compensation		1,173	940	1,082
Total equity		<u>6,127</u>	<u>9,508</u>	<u>7,257</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2010. They were signed on its behalf by:



Graham E Yeatman

Chief Financial Officer

22 March 2010

Neuropharm Group plc

Consolidated Cash Flow Statement Six months ended 31 December 2009

	Note	Six months ended 31 Dec 2009 £'000	Six months ended 31 Dec 2008 £'000	Year ended 30 June 2009 £'000
Net cash used in operations	8	(1,479)	(4,032)	(7,393)
Research and development tax credit received		599	531	616
Net cash used in operating activities		<u>(880)</u>	<u>(3,501)</u>	<u>(6,777)</u>
Investing activities				
Interest received		32	305	442
Proceeds from money market investments		1,000	3,010	8,510
Purchases of property, plant and equipment		-	(5)	(12)
Net cash from investing activities		<u>1,032</u>	<u>3,310</u>	<u>8,940</u>
Net increase/(decrease) in cash and cash equivalents		152	(191)	2,163
Cash and cash equivalents at beginning of period		6,037	3,148	3,148
Effect of foreign exchange rate changes	4	(7)	719	726
Cash and cash equivalents at end of period		<u><u>6,182</u></u>	<u><u>3,676</u></u>	<u><u>6,037</u></u>

Neuropharm Group plc

Notes to the condensed consolidated financial statements Six months ended 31 December 2009

1. BASIS OF PREPARATION

This condensed half-year financial information was approved by the Board on 22 March 2010 and does not constitute statutory financial information within the meaning of Section 435 of the Companies Act 2006. A copy of the statutory accounts for the year ended 30 June 2009 has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Results for the six month periods ended 31 December 2008 and 31 December 2009 have not been audited.

The half-year results for the six months ended 30 June 2009 can be found on the Company's website at www.neuropharm.co.uk. The half-year results are not being posted to shareholders.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The significant accounting policies adopted in the preparation of the condensed financial statements and methods of computation are consistent with those intended to be used in the preparation of the Group's financial statements for the year ended 30 June 2010 which will be prepared in accordance with IFRS as adopted by the European Union.

In the current financial year, the Group has adopted IFRS 8 "Operating Segments" and International Accounting Standard 1 "Presentation of Financial Statements" (revised 2007).

IFRS 8 requires operating segments to be identified on the basis of, inter alia, internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The previous standard, IAS 14 "Segment reporting", required the Group to identify both business and geographical segments based on a risks and rewards approach. The disclosure of segmental information required by IAS 34 is included in note 3 below and is presented in accordance with IFRS 8.

IAS 1 (revised) requires the presentation of comprehensive income as a separate component, either within the income statement or within the statement of changes in equity. As a result, the statement of changes in equity has been reformatted to show a separate subtotal representing comprehensive income.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the financial statements.

During the half-year ended 31 December 2009, there was a continuing focus on the management of costs within the Group. As at 31 December 2009 the Group had cash, cash equivalents and money market investments of £6.2 million (30 June 2009: £7.0 million) and net assets of £6.1 million (30 June 2009: £7.3 million).

Management prepares detailed cash flow forecasts which are reviewed by the Board on a regular basis. The forecasts include assumptions regarding future income and expenditure together with various scenarios which reflect opportunities, risks and appropriate mitigating actions. The Directors are satisfied that there is sufficient discretion and control as to the timing and quantum of cash outflows to ensure that the Group is able to meet its liabilities as they fall due for at least the next 12 months.

Neuropharm Group plc

Notes to the condensed consolidated financial statements Six months ended 31 December 2009

2, SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

As described in the Joint Statement from the Chairman and Chief Executive Officer on pages 2 to 4, in light of continued uncertainty as to whether an offer will be made for Neuropharm and the costs associated with maintaining the quotation of the Company's securities on AIM and the continued operation of the business, the Board has resolved to explore a return of cash to shareholders. This could be achieved by way of a proposal to shareholders for a Members' Voluntary Liquidation of the AIM quoted company, Neuropharm Group plc, within the next two months and the potential realisation of value from the sale of Neuropharm Limited, the operating company, or the programmes in its portfolio. In anticipation of either a sale of the Company or Neuropharm Limited or its programmes, or a Members' Voluntary Liquidation, the Board has also decided to give notice to all employees including the three Executive Directors.

Whilst there are inherent uncertainties regarding the discussions with third parties, alternatives for funding and/ or consideration of a potential return of cash to shareholders from proposal for a Members' Voluntary Liquidation of Neuropharm Group plc, together with sale of Neuropharm Limited or its programmes, the Directors are satisfied that there is sufficient discretion and control as to the timing and quantum of cash outflows to ensure that the Group is able to meet its liabilities as they fall due for at least the next 12 months.

Therefore, having made relevant and appropriate enquiries, including consideration of the Group's current cash resources and the cash flow forecasts, the Board has a reasonable expectation that, at the time of approving the financial statements, the Group has adequate resources to continue in operational existence for at least the next 12 months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Directors consider there to be one business segment for reporting purposes as the Group conducts one business activity and operates primarily from the United Kingdom, where the majority of net assets are located. The loss on ordinary activities before taxation derives from the Group's principal activity in the United Kingdom, being the discovery, development and commercialisation of medicines for the treatment and management of neurodevelopmental disorders.

4. OTHER GAINS AND LOSSES

	Six months ended 31 Dec 2009 £'000	Six months ended 31 Dec 2008 £'000	Year ended 30 June 2009 £'000
Gain / (loss) on foreign exchange transactions and balances	(11)	530	514
Gain on forward foreign currency contracts	-	189	179
	<u>(11)</u>	<u>719</u>	<u>693</u>

Neuropharm Group plc

Notes to the condensed consolidated financial statements Six months ended 31 December 2009

5. LOSS PER SHARE

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the half-year.

As at the period end there were outstanding options over 4,484,948 ordinary shares (six months ended 31 December 2008: 4,831,485 ordinary shares; year ended 30 June 2009: 4,784,948 ordinary shares) in the Company.

IAS 33 "Earnings per Share" requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. Only options that are 'in the money' are treated as dilutive and net loss per share would not be increased by the exercise of these options. Therefore no adjustment has been made to dilute loss per share for any outstanding share options.

The calculation of the basic and diluted loss per share is based on the following data:

	Six months ended 31 Dec 2009 £'000	Six months ended 31 Dec 2008 £'000	Year ended 30 June 2009 £'000
Loss			
Loss for the purposes of basic and diluted loss per share being net loss attributable to equity holders of the parent	1,225	3,458	5,884
	Number	Number	Number
Number of shares			
Weighted average number of ordinary shares for the purposes of the basic and diluted loss per share	31,536,697	31,536,697	31,536,697

Neuropharm Group plc

Notes to the condensed consolidated financial statements Six months ended 31 December 2009

6. INTANGIBLE ASSETS

	Acquired intellectual property rights £'000
Cost or valuation	
Balance as at 1 July 2008	50
Additions	-
	<hr/>
Balance as at 31 December 2008	50
Additions	-
	<hr/>
Balance as at 30 June 2009	50
Additions	-
	<hr/>
Balance as at 31 December 2009	<u>50</u>
 Accumulated amortisation and impairment	
Balance as at 1 July 2008	8
Amortisation expense for the period	2
Impairment loss charged to income statement	40
	<hr/>
Balance as at 31 December 2008	50
Amortisation expense for the period	-
	<hr/>
Balance as at 30 June 2009	50
Amortisation expense for the period	-
	<hr/>
Balance as at 31 December 2009	<u>50</u>
 Carrying amount	
31 December 2008	<hr/> <hr/> -
30 June 2009	<hr/> <hr/> -
31 December 2009	<hr/> <hr/> -

During the six months ended 31 December 2008, the Company impaired in full the value of the intangible asset, since there remained uncertainty regarding funding, the future of NPL-2008 and the Company.

Neuropharm Group plc

Notes to the condensed consolidated financial statements Six months ended 31 December 2009

7. PROPERTY, PLANT AND EQUIPMENT

	Tooling £'000	Office equipment £'000	Furniture and fixtures £'000	Total £'000
Cost				
Balance as at 1 July 2008	175	19	6	200
Additions	-	5	-	5
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2008	175	24	6	205
Additions	-	7	-	7
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2009	175	31	6	212
Additions	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2009	<u>175</u>	<u>31</u>	<u>6</u>	<u>212</u>
Accumulated depreciation and impairment				
Balance as at 1 July 2008	9	8	2	19
Depreciation expense for the period	17	3	1	21
Impairment loss charged to income statement	149	-	-	149
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2008	175	11	3	189
Depreciation expense for the period	-	6	1	7
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2009	175	17	4	196
Depreciation expense for the period	-	4	1	5
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2009	<u>175</u>	<u>21</u>	<u>5</u>	<u>201</u>
Carrying amount				
31 December 2008	<u>-</u>	<u>13</u>	<u>3</u>	<u>16</u>
30 June 2009	<u>-</u>	<u>14</u>	<u>2</u>	<u>16</u>
31 December 2009	<u>-</u>	<u>10</u>	<u>1</u>	<u>11</u>

During the six months ended 31 December 2008, the Company impaired in full the value of the tooling, since there remained uncertainty regarding funding, the future of NPL-2008 and the Company.

Neuropharm Group plc

Notes to the condensed consolidated financial statements Six months ended 31 December 2009

8. NOTES TO THE CASH FLOW STATEMENT

	Six months ended 31 Dec 2009 £'000	Six months ended 31 Dec 2008 £'000	Year ended 30 June 2009 £'000
Operating loss	(1,245)	(4,513)	(7,635)
Adjustments for:			
Amortisation of intangible assets	-	2	2
Impairment of intangibles assets	-	40	40
Depreciation of property, plant and equipment	5	21	28
Impairment of property, plant and equipment	-	149	149
Share option expense	91	308	450
Operating cash flows before movements in working capital	(1,149)	(3,993)	(6,966)
Decrease in receivables	13	342	446
Decrease in payables	(343)	(233)	(875)
Increase in valuation of derivative financial investments	-	(148)	2
Net cash used in operations	<u>(1,479)</u>	<u>(4,032)</u>	<u>(7,393)</u>

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Independent review report to Neuropharm Group plc

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 December 2009 which comprises the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 8. 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.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

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 AIM Rules of the London Stock Exchange

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

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.

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 inquiries, 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.

Independent review report to Neuropharm Group plc

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 December 2009 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Emphasis of matter – going concern

Without qualifying our conclusion, we draw attention to the disclosures made under the heading “Going concern” in note 2 of the condensed financial statements which state, inter alia, that the Board has resolved to explore a return of cash to shareholders. If this return of cash were to be achieved by way of a Members Voluntary Liquidation (“MVL”) then the going concern basis of preparation would no longer be appropriate. Therefore, whilst the Directors are satisfied that there is sufficient discretion and control as to the timing and quantum of cash outflows to ensure that the Group is able to meet its liabilities as they fall due for at least the next 12 months, the possibility of entering into a MVL indicates the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. The interim report does not include the adjustments that would result if the Group’s condensed financial statements were prepared on a basis other than going concern as it is not practicable to determine or quantify them.

Deloitte LLP

Chartered Accountants and Statutory Auditors

Cambridge, United Kingdom

22 March 2010