

## Regulatory Story

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**Company** [Lipoxen PLC](#)  
**TIDM** LPX  
**Headline** Interim Results  
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For Immediate Release

30 September 2009

**Lipoxen PLC**  
 ("Lipoxen" or "the Company")

**Interim Results for the six months ended 30 June 2009**

London, UK - Lipoxen PLC (AIM:LPX), a bio-pharmaceutical company specialising in the development of high value differentiated biologicals, vaccines and siRNA delivery, is pleased to announce its interim results for the six months ended 30 June 2009.

**Key Operational Highlights:**

- ErepoXen - a long-acting erythropoietin (EPO):
  - Successful completion of Phase I trials
  - Candidate to be fast tracked to a full Phase II program
- SuliXen - a long acting insulin:
  - Successful completion of Phase I trials
  - Phase II trials now expected to commence in Russia in early Q4-09
- ImuXen - platform liposomal technology
  - Preclinical feasibility project agreement signed with the PATH Malaria Vaccine Initiative and the US National Institute of Allergy and Infectious Diseases to stimulate enhanced immune responses against malaria protein
  - Commencement of ImuXen HIV vaccine formulation project funded by the Bill and Melinda Gates International Aids Vaccine Initiative in Q2-09
  - New Co-Delivery DNA Vaccine Patent granted in EU and US
- siRNAblate - gene silencing platform technology:
  - New Technology Evaluation Agreement signed with leading global pharmaceutical company
- Appointed lead member of the grant consortium for its controlled-release nanoparticle vaccine program, which includes the Company's H1N1 influenza project, by the UK Government's Technology Strategy Board on 29 September 2009
- Dr David Moss appointed as Director of Project Management in September 2009 to drive forward Lipoxen's projects

**Key Financial Highlights:**

- Placing completed in May 2009 raising £2.9m before expenses, led by cornerstone investor and partner, Baxter International Inc.
- Turnover of £0.41 m (2008: £0.42 m)
- Pre-tax loss of £1.43 m (2008: £1.96 m)
- Non-cash component of total pre-tax loss £0.22 m (2008: £0.89 m)
- Net cash at period end of £2.8 m (2008: £1.21 m)
- Net asset value £4.3 m (2008: £4.6m)
- Loss per share basic and fully diluted of 1.14 p (2008: 1.51 p)
- Net asset value per share - basic 2.78 p (2008: 3.84 p)

- Net asset value per share - fully diluted 2.69 p (2008: 3.65 p)

**Commenting on the results, M. Scott Maguire, CEO of Lipoxen, said:**

*"Against a backdrop of very difficult economic conditions, we are delighted that Lipoxen was able to complete a significant fundraising of £2.9m before expenses. The fundraising, which was led by our cornerstone investor, Baxter International Inc., demonstrates the confidence that our partners have in our core technologies and their applications. Lipoxen has continued to work successfully with, and sign new partnerships with, a number of world class organisations, including PATH Malaria Vaccine Initiative, the US National Institute of Allergy and Infectious Diseases and the Bill and Melinda Gates International Aids Vaccine Initiative.*

*"We look forward to delivering further tangible progress on all of our projects and the Board remains confident that its corporate goals remain achievable in time frames consistent with the nature of the business."*

**For further information:**

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**Notes to Editors**

**About Lipoxen**

Lipoxen plc is a biopharmaceutical company focused on the development of new and improved biologic drugs and vaccines. Lipoxen has three proprietary patented technology platforms:

- 1) PolyXen - for extending the efficacy and half life of biologic drugs
- 2) ImuXen - for creating new vaccines and improving existing vaccines
- 3) SiRNAblate - for the delivery of siRNA

Lipoxen's technology is designed to improve the efficacy, safety, stability, biological half-life and immunologic characteristics of its products. Lipoxen has multiple drug and vaccine programmes in development. Two products are in clinical development, SuliXen, a long acting insulin and ErepoXen, a long-acting erythropoietin (EPO). Lipoxen's preclinical pipeline includes vaccines against HIV, influenza and malaria and Factor VIII through an exclusive license with Baxter, the global healthcare company.

The Company has a low-risk business model and out-licenses its proprietary technologies to biopharmaceutical companies that have strong manufacturing and marketing capabilities. Lipoxen currently has commercial agreements with some of the world's leading biotechnology and pharmaceutical companies including Baxter, Schering-Plough, Sanofi-Aventis, the Serum Institute of India Limited, Genentech, Amgen and Genzyme. Furthermore, Baxter led the £2.9 million fundraising that the Company announced in May 2009, with a US\$1 million investment.

Lipoxen, which was founded in 1997, now trades on the AIM Market of the London Stock Exchange under the ticker symbol LPX. More information can be found at the Company's website: [www.lipoxen.com](http://www.lipoxen.com).

**CHAIRMAN'S STATEMENT**

I am delighted to be able to update you on Lipoxen's progress. My last report (5th May 2009) predated a successful fund raising completed in late-May this year which generated gross new funds before expenses of £2.9m. The new capital was raised at a price of 8.5p per share by means of a Placing led by Noble and Company (Lipoxen's lead broker) and further supported by Singer Capital Markets (the Company's co-broker and NOMAD). The Placing was "cornerstoned" by Baxter International Inc. (our longest standing license partner) who invested US\$1m (*circa* UK£0.63m) and is now our third largest shareholder with an equity holding of *circa* 4.8%. Management contributed some £0.36m of new capital with the balance of funds (£1.91m) being raised from a range of City and Swedish financial institutions. The new funds were raised against a continuing background of financial uncertainty in the City and a degree of institutional investor disenchantment with the AIM and small cap sector in general given the significant liquidity issues in other than "Big Board" stocks both in the UK and elsewhere. It is therefore a tribute to the inherent quality of Lipoxen's technology and programs that the funding was concluded with relative ease, at a reasonable price (as compared to some other secondary fundings at the time which were done at very substantial discounts to prevailing market prices) and in such a timely manner. The new capital has positioned the Company to better execute its business plan over the upcoming 12-18 months and, while management must continue to husband the Company's cash resources very carefully, the new capital has made certain preferred initiatives possible to undertake sooner rather than later.

In my most recent report I took the opportunity of offering a detailed review of the business since its Admission to AIM in January 2006 - a period in which very substantial positive technical development of our core patent-protected PolyXen and ImuXen platform technologies took place. I am pleased to now update shareholders as follows:

#### **Baxter Factor VIII License Partner**

Earlier this year the Company concluded its scope of work for the characterisation and optimisation of this important product candidate, with Baxter themselves taking in-house the final stage of development prior to the targeted nomination of a Product Candidate in H1-2010. While we do not expect to be advised of the attainment of this status until Q1/Q2 next year, we remain confident that our PolyXen technology is meeting, and will continue to meet, the performance targets set by Baxter such that the nomination will eventuate in the indicated timeline.

#### **ErepoXen (long-acting erythropoietin/"EPO")**

Our EPO product candidate, which is being taken through the clinic by the Serum Institute of India ("Serum", a *circa* 22% equity shareholder of Lipoxen), successfully completed Phase I trials earlier this year as announced on 6th May 2009. While the product candidate was expected to move into a Phase II(a) trial in India by the end of Q2-09, the Company has since been informed by Serum that they are sufficiently satisfied with the results to date that they have decided to move into a full Phase II program with a new CRO (Clinical Research Organisation) in order to shorten the overall time line required to bring the product to market in the developing world at the earliest possible date - currently expected to be mid-2013. While, *prima facie*, this appears perhaps to be a delay in the project, the reality is that it further underpins Serum's commitment to it by their entering into the next stage of clinical trials on a more challenging and greatly more costly basis. The Company is delighted that our partner has taken such decision and we remain confident that our product candidate will continue to perform well as it progresses through the clinic. The first patient dosing on the re-based Phase II trial is expected to occur in early January 2010 with initial results due in Q4-2010.

Serum remains the lead on the proposed Canadian Phase II(a) regulated trial but, in consideration of their decision to proceed to more robust Indian trials they have informed the Company that they prefer to pend the start of the Canadian trial until they have the expected level of positive indications from their Phase II trials in India.

Serum and FDS Pharma ("FDS", our principal shareholder with *circa* 28% equity holding) have also concluded a Memorandum of Understanding under which FDS will take the EPO candidate through a Russian Phase II trial with a view to getting the product to market in the former Commonwealth of Independent States (CIS) in 2012. It is notable that the Russian Federation has recently announced its decision to make such quantum of investment as is consistent with making the CIS substantially less dependent upon imported supplies of the more expensive biologic and vaccine drugs by making substantial monetary grants to qualifying domestic companies with the technological capabilities required to bring forward domestic biosimilars and vaccines. This policy has considerable potential to enhance Lipoxen's ability to work even more closely with FDS (and its partner CIS companies) on the development of product candidates for both biologics and vaccines whereby new candidates can be fast-tracked through to market in a much-shortened time period than is required for

the completion of FDA/EMEA clinical trials. We will be looking at ways to capitalise on this efficient clinical process that would allow early and cost effective proof of concept on a number of potential candidates.

#### **SuliXen (long-acting insulin/"INS")**

Having successfully completed Phase I clinical trials as announced by the Company on 9th March 2009, Phase II trials of SuliXen are now expected to commence in Russia in early Q4 this year with results due end Q3-2010/early Q4-2010.

In conjunction with Glide Pharmaceuticals, the Company is also looking at novel approaches for the delivery of insulin in a needle-free manner. We are also actively analysing a broadening of the therapeutic scope of our SuliXen product and expect to report on both of these initiatives in Q1-2010.

#### **Vaccines (ImuXen)**

On 13th May 2009, the Company announced that it had entered into a pre-clinical project with the PATH Malaria Vaccine Initiative (PATH MVI) and the US National Institute of Allergy and Infectious Diseases (US NIAID) to determine the ability of Lipoxen's proprietary liposomal technology to stimulate enhanced immune responses against malaria protein. This is an important humanitarian initiative upon which the Company still plans to report in Q2-2010.

The further application of Lipoxen's ImuXen technology to the development of a novel HIV vaccine formulation funded by the Bill and Melinda Gates International Aids Vaccine Initiative (IAVI) commenced later than first expected in Q2 this year and is now expected to report in Q1-2010. This is another potentially important humanitarian initiative, and, while disappointing, the delay in reporting is not viewed by the Board as material.

#### **siRNABlate (gene silencing)**

In June we were pleased to announce that the Company had entered into a new technology evaluation agreement with an un-named Large Pharma company for the use of Lipoxen's siRNABlate technology to evaluate the effectiveness of combining the Pharma company's proprietary siRNA with Lipoxen's platform technology. The aim of the collaboration is to enhance the efficacy of the siRNA via our siRNABlate delivery. The evaluation is expected to be completed in Q4 this year and, if successful, could lead to a full development and licensing agreement.

The generally recognised major problem with the Nobel Prize-winning interfering RNAi technology is the ability to deliver the RNA intact to the targeted cells. While still at a very early stage of development, Lipoxen's siRNABlate technology has already shown promising results in a pre-clinical trial with its ability to overcome this otherwise rather intractable delivery issue.

#### **Intellectual Property**

The Company views the protection of its IP position as crucial to the building of long term shareholder value and expects to invest heavily in this area as our proprietary technologies continue through the development process.

A truly important step was achieved in June this year when Lipoxen's co-Delivery DNA Vaccine Patent was granted in the EU and the United States. This is a core part of the Company's IP asset portfolio and looks to the very heart of our vaccine platform technology. We are, therefore, extremely pleased to have attained this important milestone.

#### **Progress with Collaborations**

Our collaborations remain core to the Company's growth strategy as we seek to expand the application of our platform technologies with Big Pharma and Big Bio. I set out below a brief review on current collaborations:

Baxter International	Technical progress continues to be made and we hope to see the nomination of a Factor VIII lead Product Candidate in H1-2010.
Technology Strategy Board	The Company's H1N1 Influenza product candidate was first established as a project funded by the UK Technology Strategy Board (TSB) working alongside Cambridge Biostability Limited (CBL), the UK Health Protection Agency (HPA)

and Cambridge University (CUMIC). In June this year CBL was placed into a Creditors Voluntary Liquidation which placed the project in some temporary difficulty while the remaining parties worked out what best to do. I am extremely pleased to advise that the project has been reinitiated with Lipoxen as the lead and with a strong focus on our H1N1 influenza candidate. The end-point of the new project is the "Completion of protective efficacy studies with stability sample" which, although perhaps up to 12 months away, in view of the potential importance of the product, has been given a high priority such that I expect that the Company will be reporting results to the market in no more than 9 months from now.

While the demise of CBL has obviously resulted in some delay, with Lipoxen as the "lead" going forward, your Company is better able to dictate the speed at which this project will advance and is committed to claw back as much as possible of the past delays for which Lipoxen had neither responsibility nor control.

Barbara Davis	This project is designed to assess whether or not Lipoxen's SuliXen product has the potential to treat, reverse or prevent the underlying causes of Type 1 diabetes. The Barbara Davis Centre of Childhood Diabetes is one of the world's leading institutes in the field whose research work is applied both to children and adults. The project has now been running for several months and is expected to report in early Q4.
IAVI	As noted ( <i>ante</i> ) this project remains on track to report in Q1-2010. Notwithstanding that the HIV virus itself is a powerfully mutating organism which represents a serious challenge to any proposed prophylactic vaccine, the end point of the project is the efficacy of the liposomal co-delivery platform in generating efficacious levels of both cell-mediated and immune system responses.
PATH MVI	Also previously mentioned above, and with essentially the same performance end-points as for IAVI, this program is expected to report on time in Q2-2010.
University of Nottingham	This program, for the improved delivery of antiviral drugs for the treatment of liver disease caused by Hepatitis C is nearing completion and we remain confident of being able to report on it before the end of 2009.
Glide Pharmaceuticals	In collaboration with Glide, the Company is continuing to drive the development of the delivery of our long-acting insulin in Glide's needle-free injector. This unique technological combination has the potential to address a <i>circa</i> US\$12b market. We expect to provide an update before the end of this calendar year
Angel Bioscience	The Company continues to work on the incorporation of its PolyXen technology into Angel's GCSF compound with a view to being able to generate a Polysialated-GCSF with much improved performance in the treatment for neutropenia, being the treatment of patients whose white blood cell count becomes seriously challenged pursuant to chemotherapy treatment. The Company is also looking at broadening the therapeutic application of a Polysialated-GCSF candidate and will report further in Q1-2010.

#### Senior Management Appointment

In September 2009, the Company engaged the services of Dr David Moss as Director of Project Management.

Dr Moss has almost thirty years of research, development and project management experience gained from roles in both academia and the private biotech sector. His focus during this period has been on the development of vaccines for veterinary and human applications. He joins Lipoxen from Cambridge Biostability Limited (CBL) where he was Director of Research and was responsible for the company's entire research program focused on the development of thermostable vaccines and biopharmaceuticals. This included the

Technology Strategy Board-funded vaccine project. Prior to CBL, he was Project Manager at Intervet UK (now Intervet Schering-Plough), a global veterinary vaccine and research and development company.

Your Board considers this to be an important appointment as the Company engages in more commercial contracts and seeks to further develop its proprietary product pipeline.

### Summary and Outlook

The nature of Lipoxen's business model tends towards projects which extend for many months, or even years. It is therefore not always possible to report to shareholders in terms other than that Lipoxen's business development strategy continues to be executed as previously reported and that the Board remains confident that its corporate goals remain achievable in time frames consistent with the nature of the business.

- Our Baxter collaboration has moved to the next level and we are confident of their being able to nominate a lead Product candidate within the next 6-9 months.
- While the PolyXen platform has seen no new product candidates entering into clinical development in the period under review, our scientists continue to develop the underlying IP in the extant applications, being, Baxter's Factor VIII, and the SuliXen and EPO proprietary products. While the Company is evaluating a large number of prospective candidates, your Board is conscious of the need to find the shortest and most efficacious route to monetisation of the IP and, to that end, we are committing more management resource to risk assessment before a new project can gain approval for commencement and are actively enhancing our project management systems for its efficient delivery once authorised.
- Our ImuXen platform continues to generate much interest in both vaccine and siRNA applications. The Board believes that we will bring one or more product candidates to Phase I trials within 6-9 months, either directly or, preferably, funded either by a sovereign government or leading commercial partner.
- The Company's cash position has been substantially strengthened through the raising of *circa* £2.7m (net) in May by which means Management can, at the very least, "maintain course and speed" towards the monetisation of the company's proprietary IP which will be exemplified by the attainment of cash flow positivity through new license transactions with Big Pharma and/or Big Bio.

### Financial Review

The financial results for the Group in the period under review were:

	Six months to 30/06/09 Unaudited £'000	Six months to 30/06/08 Unaudited £'000	Year to 31/12/08 Audited £'000
Turnover	411	416	1,160
Total pre-tax losses for period	1,433	1,962	3,791
Non-cash component of total pre-tax loss	217	894	2,142
Net cash at end of period	2,797	1,213	602
Net asset value at the end of the period	4,289	4,596	2,973
	<b>pence</b>	<b>pence</b>	<b>pence</b>
Loss per share - basic and fully diluted	1.14	1.51	2.89
Net asset value per share - basic	2.78	3.84	2.48
Net asset value per share - fully diluted	2.69	3.65	2.38
<u>Non-cash component of total pre-tax losses:</u>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Depreciation of owned assets	137	133	275
R&D costs - equity settled	75	697	1,773
Share option expense - equity settled	5	64	94
Total principal non-cash items	<b>217</b>	<b>894</b>	<b>2,142</b>

Research and development - cash settled	Note (1)	934	1,046	2,004
Other expenses - cash settled	Note (2)	696	489	879
Total expenses - cash settled		<b>1,630</b>	<b>1,535</b>	<b>2,883</b>
Total non-cash items	Note (3)	217	894	2,142
Total administrative expenses		<b>1,847</b>	<b>2,429</b>	<b>5,025</b>
		=====	=====	=====
		%	%	%
Research and development - cash settled		57.3	68.1	69.5
Other expenses - cash settled		42.7	31.9	30.5
Total expenses - cash settled		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### NOTES

1. *The rate of expenditure in this area has been relatively constant in the last 18 months. The reduction this time is mainly comprised of a reduced level of external research costs compared to the same period in 2008.*
2. *These costs have increased primarily due to:*
  - a. *The opening in January of this year of the Company's corporate offices as administration space at the laboratories was no longer adequate.*
  - b. *Increases in audit, legal and regulatory costs.*
  - c. *PR costs associated with the fundraise concluded in May as well as a step change in the Company's PR-facing activities as we need to better and more proactively promote both our pre-clinical and clinical successes to more effectively raise the profile of the business.*
3. *The substantial reduction here reflects the reduced charge to the Income Statement relating to the SuliXen candidate which has now largely attained the milestones related to the prepaid value being written off progressively as the product candidate has advanced from pre-clinical through the successful completion of unregulated Phase I trials. The balance of the value currently held in the Balance Sheet is expected to be expensed in H2 this year as the SuliXen product enters regulated trials.*

Trading conditions in the sector remain challenging. There has been continuing consolidation at the top end of the industry and feverish M&A lower down as some of our small-cap competitors find that raising new cash is almost impossible and are faced with few alternatives but to be acquired by larger companies with stronger balance sheets. A corollary to this scenario is that, while "Big Pharma/Bio" is awash with cash it is placing ever more demanding technical hurdles for the smaller companies to clear before they will enter into license discussions. The effect of this is that short term feasibility studies are not generating the levels of cash income seen even as recently as 2008, with the consequence that "small cap" companies such as Lipoxen are under continual pressure, not just to make efficiency savings wherever possible (clearly a "generally regarded as sensible" commercial stance) but to be highly cautious about taking on new projects with high performance risk characteristics. In that latter regard, your Company's technical offering on the PolyXen platform is relatively low risk; the ImuXen platform for vaccine candidates (especially for DNA co-delivery projects) currently might be characterised as having a relatively higher risk than PolyXen, mainly by virtue of our not yet having been able to take a new product candidate into the clinic. While the siRNA application of our liposomal entrapment technology remains very early stage - being entirely reasonable given the newness of the entire siRNA field - Lipoxen has already proved in pre-clinical trials that its siRNAblate technology can be highly effective in the knockdown of the "bad" cholesterol gene.

Our portfolio of proprietary technologies continues to attract interest from an ever-increasing list of partners, so, once more I believe that the coming months should deliver further tangible progress for the Company and I look forward to updating you on our developments in my next report.

**Brian Richards, CBE**  
**Non-Executive Chairman**

London: 30th September 2009

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30th JUNE 2009**

	Note	Six months to 30/06/09 Unaudited £	Six months to 30/06/08 Unaudited £	Year to 31/12/08 Audited £
<b>REVENUE</b>	4	<u>411,097</u>	<u>415,968</u>	<u>1,160,324</u>
<b>ADMINISTRATIVE EXPENSES</b>				
Research and development expenditure		1,008,861	1,743,287	3,776,636
Administrative expenses		<u>838,556</u>	<u>685,529</u>	<u>1,247,817</u>
Total		<u>1,847,417</u>	<u>2,428,816</u>	<u>5,024,453</u>
<b>OPERATING LOSS</b>		<u>(1,436,320)</u>	<u>(2,012,848)</u>	<u>(3,864,129)</u>
Finance income		3,280	51,174	72,926
Finance costs		-	-	-
<b>LOSS BEFORE TAXATION</b>		<u>(1,433,040)</u>	<u>(1,961,674)</u>	<u>(3,791,203)</u>
Income tax credit		-	<u>157,916</u>	<u>332,916</u>
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<u>(1,433,040)</u>	<u>(1,803,758)</u>	<u>(3,458,287)</u>
Loss per share - basic and fully diluted	6	<u>(1.14)p</u>	<u>(1.51)p</u>	<u>(2.89)p</u>

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30th JUNE 2009**

	Note	As at 30/06/09 Unaudited £	As at 30/06/08 Unaudited £	As at 31/12/08 Audited £
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		548,864	769,586	665,972
Goodwill		<u>1,061,476</u>	<u>1,061,476</u>	<u>1,061,476</u>
		<u>1,610,340</u>	<u>1,831,062</u>	<u>1,727,448</u>
<b>CURRENT ASSETS</b>				
Trade and other receivables	7	468,740	1,764,324	1,118,559
Cash and cash equivalents		<u>2,796,603</u>	<u>1,213,476</u>	<u>602,065</u>

		3,265,343	2,977,800	1,720,624
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(586,299)	(212,479)	(474,849)
<b>NET CURRENT ASSETS</b>		<u>2,679,044</u>	<u>2,765,321</u>	<u>1,245,775</u>
<b>NET ASSETS</b>		<u>4,289,384</u>	<u>4,596,383</u>	<u>2,973,223</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>				
Share capital	8	2,403,790	2,231,468	2,232,790
Share premium account		25,081,916	22,508,165	22,508,793
Reverse acquisition reserve		(8,252,127)	(8,252,127)	(8,252,127)
Accumulated losses		(14,944,195)	(11,891,123)	(13,516,233)
<b>TOTAL EQUITY</b>		<u>4,289,384</u>	<u>4,596,383</u>	<u>2,973,223</u>
Net assets per share - basic	9	<u>2.78p</u>	<u>3.84p</u>	<u>2.48p</u>
Net assets per share - fully diluted	9	<u>2.69p</u>	<u>3.65p</u>	<u>2.38p</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS TO 30th JUNE 2009**

		Six months to 30/06/09 Unaudited £	Six months to 30/06/08 Unaudited £	Year to 31/12/08 Audited £
Cash flows from operating activities	5	(532,961)	(1,405,932)	(2,177,421)
Interest received		3,280	51,174	72,926
Taxation received		-	157,916	332,916
<b>Net cash outflow from operating activities</b>		<u>(529,681)</u>	<u>(1,196,842)</u>	<u>(1,771,579)</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(19,904)	(35,618)	(74,242)
<b>Cash flows from financing activities</b>				
Issue of equity share capital		2,744,123	-	1,950
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>2,194,538</u>	<u>(1,232,460)</u>	<u>(1,843,871)</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>602,065</u>	<u>2,445,936</u>	<u>2,445,936</u>
<b>Cash and cash equivalents at end of year</b>		<u>2,796,603</u>	<u>1,213,476</u>	<u>602,065</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY  
FOR THE SIX MONTHS TO 30th JUNE 2009**

	Share capital £	Share premium £	Reverse Acquisition reserve £	Accumulated losses £	Total £
At 1st January 2008			(8,252,127)	(10,151,635)	
Loss for six months ended 30th June 2008				(1,803,758)	
Share-based payments				64,270	
<hr/>					
At 30th June 2008			(8,252,127)	(11,891,123)	
Loss for six months ended 31st December 2008				(1,654,529)	(1,654,529)
Shares issued for cash				-	
Share-based payments				29,419	
<hr/>					
At 31st December 2008			(8,252,127)	(13,516,233)	
Loss for six months ended 30th June 2009				(1,433,040)	(1,433,040)
Shares issued for cash				-	2,907,000
Share issue expenses		(162,877)		-	(162,877)
Share-based payments				5,078	
<hr/>					
At 30th June 2009			(8,252,127)	(14,944,195)	

## LIPOXEN PLC

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS TO 30th JUNE 2009

#### 1. GENERAL INFORMATION

The interim financial statements for the six months ended 30th June 2009 are unaudited and were approved by the Directors of the Company on 30th September 2009. The condensed financial information set out above does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the year ended 31st December 2008 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts received an unqualified audit report, which included a reference by way of emphasis without qualifying the report to the preparation of the accounts on the going concern basis of accounting. The audit report contained no statements under sections 237(2) or (3) (accounting records or returns inadequate, accounts not agreeing with records and returns, or failure to obtain necessary information and explanations) of the Companies Act 1985.

The financial information has been prepared in accordance with the accounting policies set out below. The accounts are drawn up in compliance with IAS 34 "Interim Financial Reporting".

#### 2. ACCOUNTING POLICIES

The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2008 financial statements.

Fundamental accounting concept - going concern

As an early-stage development life sciences business, the Group has incurred operating losses in the period under review, notwithstanding that substantial clinical and technical progress was also made

in the continuing successful development of its proprietary technologies; consequently, the Group was a net consumer of cash.

In order to maintain the level of scientific effort required to develop the Group's technologies and to commercialise them to such degree as will be necessary to become a cash-generative business, the Group will need to access new cash in addition to that available to it at the period end; such new cash will either be generated internally from, as yet, non-contractual feasibility and licensing sources and/or from the raising of new capital.

The Directors have prepared a financial forecast for the period through to 31st December 2011. The forecast includes assumptions that the Group will generate cash inflows in this period from:

- a. the ongoing roll-out and licensing of the Group's technologies with its existing collaborative partners;
- b. the roll-out and licensing of the Group's technologies with new collaborative partners; and
- c. the raising of new capital.

In May 2009 the Company successfully raised new capital of £2.9m before expenses - notwithstanding continuing uncertainties in the capital markets (given the ongoing global financial difficulties) especially for small cap companies. The Board was very much encouraged by that success which they consider as a positive endorsement of their underlying confidence in the economic prospects for monetisation of the Company's core IP in protein drug development, novel vaccines and gene silencing technologies; that said, markets remain volatile and, should it prove necessary, the Company's ability to raise further new capital will remain dependent upon prevailing market conditions at the time.

While considering that platform technology applications to known and marketed drugs confer lower commercial risks than in new drug development, the Directors recognise that there are uncertainties surrounding these core issues.

If the Group was to prove unable to generate these additional cash inflows, the cash balance of *circa* £2.8m as at 30th June 2009 would be insufficient to fund the Group's activities at their current level for a period of twelve months from the date of approval of these interim financial statements.

However, the Directors have a reasonable expectation that these uncertainties can be managed to successful outcomes, and that, based on such assessment, the Group will have adequate resources to continue in operational existence for the foreseeable future. They have therefore prepared the financial information contained herein on a going concern basis.

The financial information does not reflect any adjustments that would be required to be made if they were to be prepared on a basis other than the going concern basis.

#### **New accounting standards materially affecting the Group**

- IFRS 8: Operating segments

This is mandatory for accounting periods beginning on or after 1st January 2009, and requires entities to adopt a 'management approach' to report on the financial performance of their operating segments. The information to be reported is that which management uses internally for allocating resources to operating segments. As a result, the Group has identified that it has one operating segment, the development of drug and vaccine delivery systems and proprietary products in the fields of protein drugs, vaccines and oncology, consistent with the business segment identified under IAS 14 in the 2008 Annual Report. No changes to disclosure requirements for the Interim Report arose on adoption of IFRS 8.

- IAS 1 (Revised): Presentation of Financial Statements

This is mandatory for accounting periods beginning on or after 1st January 2009, and requires the presentation of either one statement (a statement of comprehensive income) or two statements (a

separate income statement and a statement of comprehensive income) which will include those changes in equity which arise other than from transactions with shareholders in their capacity as shareholders.

### 3. SEGMENTAL ANALYSIS

The revenue and loss before tax are attributable to the one principal activity of the Group. The net assets of the Group at 30th June 2009, 31st December 2008 and 30th June 2008 are wholly attributable to the principal activity. The Group comprises one business segment for reporting purposes.

### 4. REVENUE

An analysis of revenue (by location of customer) is given below:

	Six months to 30/06/09 Unaudited £	Six months to 30/06/08 Unaudited £	Year to 31/12/08 Audited £
United States	262,149	339,790	1,060,636
Europe	148,948	76,178	99,688
	<b>411,097</b>	<b>415,968</b>	<b>1,160,324</b>

### 5. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH OUTFLOWS FROM OPERATING ACTIVITIES

	Six months to 30/06/09 Unaudited £	Six months to 30/06/08 Unaudited £	Year to 31/12/08 Audited £
Loss before taxation	(1,433,040)	(1,961,674)	(3,791,203)
Adjustments for:			
Equity-settled share options	5,078	64,270	93,689
Equity-settled research and development	75,000	697,257	1,773,126
Depreciation	137,012	132,584	274,822
Investment income	(3,280)	(51,174)	(72,926)
	<b>(1,219,230)</b>	<b>(1,118,737)</b>	<b>(1,722,492)</b>
Decrease/(increase) in receivables	574,819	(205,941)	(636,045)
Increase/(decrease) in payables	111,450	(81,254)	181,116
Net cash outflow from operating activities	<b>(532,961)</b>	<b>(1,405,932)</b>	<b>(2,177,421)</b>

### 6. LOSS PER SHARE

	Six months to 30/06/09 Unaudited £	Six months to 30/06/08 Unaudited £	Year to 31/12/08 Audited £
Weighted average number of ordinary shares in issue	<b>126,093,444</b>	<b>119,593,552</b>	<b>119,668,535</b>
Loss after taxation	<b>1,433,040</b>	<b>1,803,758</b>	<b>3,458,287</b>

Loss per share	<u>1.14p</u>	<u>1.51p</u>	<u>2.89p</u>
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There is no dilutive effect of share options on the basic loss per share.

#### 7. OTHER RECEIVABLES

In October 2005, Lipoxen Technologies Limited entered into an agreement with its then major shareholder, FDS Pharma Ass ('FDS'), under which 15,000,000 ordinary shares were allotted in consideration for the provision by FDS of manufacturing and clinical development services. As per a Novation Agreement between FDS, Lipoxen Technologies Limited and the Company dated 16th January 2006, the agreement provides for the allotment of up to 10,174,340 ordinary shares in Lipoxen Plc upon achievement of certain future milestones to the financial value of US\$2,670,764 as approved by shareholders at the Extraordinary General Meeting of the Company held on 16th January 2006. An amount of £75,000 (6 months to 30/06/08 - £697,257; year to 31/12/08 - £1,773,126) has been charged to the income statement in the period in respect of services provided by FDS. An amount of £236,725 (30/06/08 - £1,387,594; 31/12/08 - £311,725) is included in the balance sheet under other receivables in respect of services still to be provided under the agreement, which are expected to be provided within one year from the balance sheet date.

#### 8. SHARE CAPITAL

The changes in the Company's issued share capital in the period have been as follows:

	Ordinary shares of 0.5p		Deferred shares of 0.01p		Total
	Number	£	Number	£	£
At 1st January 2009	119,858,085	599,290	16,335,000,000	1,633,500	2,232,790
Shares issued for cash	34,200,000	171,000	-	-	171,000
At 30th June 2009	<u>154,058,085</u>	<u>770,290</u>	<u>16,335,000,000</u>	<u>1,633,500</u>	<u>2,403,790</u>

In May 2009, the Company issued 34,200,000 ordinary shares by way of a placing. The shares were priced at 8.5p per share and raised £2,744,123 net of expenses

#### 9. NET ASSET VALUE PER SHARE

The "basic" net asset value per share figures are calculated on the basis of the net assets attributable to equity shareholders divided by the number of ordinary shares in issue at the relevant dates.

The "fully diluted" net assets per share figures are calculated by adjusting the number of ordinary shares on the assumption of the exercise in full of all options and warrant instruments extant as at the relevant dates where the exercise price of any such instrument is less than the "basic" net asset value per share.

10. Copies of the interim report are available to the public free of charge from the Company at London Bioscience Innovation Centre, 2 Royal College Street, London, NW1 0NH during normal office hours, Saturdays and Sundays excepted, for 14 days from today.

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