ANTISOMA

Interim Report 2010

Antisoma plc

Half-year results for the six months to 31 December 2010

Joint Chairman and CEO's statement

Overview
This has been a difficult period for Antisoma. We conducted a carefully designed phase III trial for AS1413 and this provided a clear negative result. Having given careful consideration to our situation following this outcome, we have initiated the search for a transaction that will deliver maximum value to shareholders from our remaining assets.

Development of AS1413 discontinued
We evaluated AS1413 in a large, randomised controlled phase III trial. This compared a regimen of AS1413 and cytarabine with standard therapy of daunorubicin and cytarabine in patients with secondary acute myeloid leukaemia (secondary AML). The primary endpoint was a comparison of remission rates. Unfortunately, we did not see the improvement in remission rates we were looking for, so we see no merit in further work on AS1413.

AS1411 requires change in direction
We felt it was important to have an understanding of the status of our AS1411 programme at the time we got phase III data on AS1413. AS1411 was in a phase IIb trial in patients with AML. An early look at the data from this study showed that it was unlikely to provide a firm basis for progress to a phase III trial in AML. Given this, and the desire to minimise cash outflows from the business after the AS1413 result, we have terminated the phase IIb trial. We have also suspended other work on the AS1411 programme pending a possible transaction, but we continue to believe that the drug has significant potential as a cancer treatment.

Other key programmes
In addition to AS1411, we believe there is value in our two promising preclinical programmes. These are the DCAM (dendritic cell autoimmune modulator) and PPM1D (protein phosphatase magnesium dependent-1-delta) programmes.

DCAMs are small-molecule kinase inhibitors with potential as oral therapies for auto-immune conditions such as inflammatory bowel diseases and rheumatoid arthritis. We have generated good supporting data in animal models and the programme is ready to be taken forward towards the initiation of clinical trials.

PPM1D is a phosphatase that is expressed in many forms of cancer and whose presence can be readily detected, providing potential for targeting of patients who could respond. One obvious application for PPM1D inhibitors is in breast cancer, where around one sixth of tumours over-express or have amplified PPM1D. The programme has been developed under collaboration with the Institute of Cancer Research in London and is ready to be taken forward towards the clinic.

Financial review

Overview
During 2010 we took measures to conserve cash so that we would be in the best possible position after any outcome from the AS1413 trial. This is reflected in our figures for the period. As a result of the cessation of clinical trial activities following the announcement of 31 January, our external R&D costs are undergoing a substantial new reduction, further reducing cash outflows from the business.

Results of operations
The Group recorded revenues totalling £0.3 million for the six months ended 31 December 2010. This revenue derives from a royalty payment that was payable to Xanthus, the business we acquired in 2008. The Group also recorded £0.2 million of other operating income. This was a grant awarded by the United States Government because of our investment in qualifying research and development and received in November 2010.

During the period, fixed assets were sold for a profit of £0.1m.

Total operating expenses for the six months ended 31 December 2010 were £16.7 million (2009: £21.3 million). Research and development expenditure has decreased by £3.3 million to £14.7 million, reflecting the Group's increased efforts to conserve cash and the reduction in expenditure on the phase III trial of AS1413 as it came close to completion. An impairment loss of £4.2 million, reflecting discontinuation of ASA404, has been recognised in research and development. Administrative expenditure decreased by £1.3 million, again reflecting containment of costs by the Group.

As a result of the decision to stop development of AS1413 and halt the trial of AS1411 in AML, impairment reviews will be performed on the goodwill and intangible assets associated with these products. No impairment has been recorded in these results because this is a non-adjusting post balance sheet event (see note 8).

The Group estimates that an impairment of approximately £54.3 million will be booked in the accounts for the year ended 30 June 2011; however, a full analysis will be required.

During the period foreign exchange rates were less volatile than in the previous year. We made exchange losses of £0.1 million on translation of our US dollar and Euro balances into sterling (2009: £1.3 million gain).

Our loss of £15.4 million reflects the difference between our revenues, finance income and tax credit and our operating expenses, as we continued to invest during the period in our drug pipeline.

Liquidity and capital resources
Cash, cash equivalents and short-term deposits amounted to £23.4 million as at 31 December 2010 (30 June 2010: £32.1 million; 31 December 2009: £49.6 million). Net cash used in operating activities for the six months ended 31 December 2010 was £8.6 million (six months ended 31 December 2009: £18.4 million).

In managing our cash resources, we have maintained a conservative treasury policy with short deposit terms and diversified counterparty risk.

Taxation

We have recognised a credit of £0.8 million in respect of an R&D tax credit receivable for the first six months of the financial year.

Loss per share

The basic loss per share for the half-year ended 31 December 2010 was 2.4p (half-year ended 31 December 2009 3.0p); the share capital in the Company has increased because some former employees have exercised share options and certain Non-Executive Directors have elected to be paid in shares.

The related parties to Antisoma have been identified by management and are outlined in note 7 of the interim accounts.

Outlook

We have considered our position carefully following last week's announcement that the AS1413 programme would be terminated. As a result, we are now seeking a transaction in order to maximise the value to shareholders of our remaining assets, which include a number of promising drug development programmes as well as the cash on our balance sheet. In the meantime, we are restructuring the business; we will make a further announcement regarding changes to the Board in the near future.

Barry Price
Chairman

Glyn Edwards
CEO

Antisoma plc

Half-Yearly Financial Report for the six months ended 31 December 2010

Consolidated Income Statement
for the six months ended 31 December 2010

	Notes	**6 months ended 31 December 2010 unaudited £'000**	6 months ended 31 December 2009 unaudited £'000	Year ended 30 June 2010 audited £'000
Revenue		**337**	-	20,346
Gross profit		**337**	-	20,346
Research and development expenditure		**(14,697)**	(18,040)	(35,500)
Administrative expenses		**(2,008)**	(3,297)	(7,888)
Total operating expenses		**(16,705)**	(21,337)	(43,388)
Other operating income		**152**	-	-
Operating loss		**(16,216)**	(21,337)	(23,042)
Finance income	**4**	**71**	1,555	1,678
Loss before taxation		**(16,145)**	(19,782)	(21,364)
Taxation		**765**	1,502	2,712
Loss for the period		**(15,380)**	(18,280)	(18,652)
Loss per ordinary share				
Basic and diluted	**5**	**(2.4)p**	(3.0)p	(3.0)p

Consolidated Statement of Comprehensive Income
for the six months ended 31 December 2010

	6 months ended 31 December 2010 unaudited £'000	6 months ended 31 December 2009 unaudited £'000	Year ended 30 June 2010 audited £'000
Loss for the period	**(15,380)**	(18,280)	(18,652)
Exchange translation difference on consolidation	**(287)**	447	1,000
Other comprehensive income for the period net of tax	**(287)**	447	1,000
Total comprehensive income for the period	**(15,667)**	(17,833)	(17,652)

Consolidated Statement of Financial Position
as at 31 December 2010

	As at 31 December 2010 unaudited £'000	As at 31 December 2009 unaudited £'000	As at 30 June 2010 audited £'000
ASSETS			
Non-current assets			
Goodwill	**7,162**	6,957	7,353
Intangible assets	**47,127**	51,615	51,824
Property, plant and equipment	**1,052**	1,960	1,173
	55,341	60,532	60,350
Current assets			
Trade and other receivables	**1,071**	1,947	2,106
Current tax receivable	**1,038**	4,984	3,614
Short-term deposits	**8,695**	42,267	21,965
Cash and cash equivalents	**14,687**	7,377	10,098
	25,491	56,575	37,783
LIABILITIES			
Current liabilities			
Trade and other payables	**(5,738)**	(8,046)	(7,220)
Current tax payable	**(1)**	-	-
Deferred income	**-**	(19,690)	-
Provisions	**(2,134)**	(2,664)	(3,071)
	(7,873)	(30,400)	(10,291)
Net current assets	**17,618**	26,175	27,492
Total assets less current liabilities	**72,959**	86,707	87,842
Non-current liabilities			
Deferred tax liabilities	**(7,162)**	(6,957)	(7,353)
Provisions	**(16)**	(454)	(28)
	(7,178)	(7,411)	(7,381)
Net assets	**65,781**	79,296	80,461
Shareholders' equity			
Share capital	**10,656**	10,592	10,628
Share premium	**122,091**	122,015	122,070
Other reserves	**47,632**	47,366	47,919
Profit and loss account	**(114,598)**	(100,677)	(100,156)
Total shareholders' equity	**65,781**	79,296	80,461

Consolidated Statement of Changes in Equity
for the six months ended 31 December 2010

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Other reserve : retranslation £'000	Other reserve: merger £'000	Profit and loss account £'000	Total £'000
At 1 July 2009	10,480	119,783	2,273	7,664	39,255	(83,240)	96,215
Total comprehensive income for the period	-	-	-	447	-	(18,280)	(17,833)
New share capital issued	112	2,232	(2,273)	-	-	-	71
Share options: value of employee services	-	-	-	-	-	843	843
At 31 December 2009	**10,592**	**122,015**	**-**	**8,111**	**39,255**	**(100,677)**	**79,296**
At 1 July 2009	10,480	119,783	2,273	7,664	39,255	(83,240)	96,215
Total comprehensive income for the year	-	-	-	1,000	-	(18,652)	(17,652)
New share capital issued	148	2,287	(2,273)	-	-	-	162
Share options: value of employee services	-	-	-	-	-	1,736	1,736
At 30 June 2010	**10,628**	**122,070**	**-**	**8,664**	**39,255**	**(100,156)**	**80,461**
At 1 July 2010	10,628	122,070	-	8,664	39,255	(100,156)	80,461
Total comprehensive income for the period	-	-	-	(287)	-	(15,380)	(15,667)
New share capital issued	28	21	-	-	-	-	49
Share options: value of employee services	-	-	-	-	-	938	938
At 31 December 2010	**10,656**	**122,091**	**-**	**8,377**	**39,255**	**(114,598)**	**65,781**

Consolidated Statement of Cash Flows
for the six months ended 31 December 2010

	6 months ended 31 December 2010 unaudited £'000	6 months ended 31 December 2009 unaudited £'000	Year ended 30 June 2010 audited £'000
Cash flows from operating activities			
Loss for the period/year	**(15,380)**	(18,280)	(18,652)
Add back:			
Foreign exchange loss/(gain)	**216**	(187)	(779)
Finance income	**(71)**	(1,555)	(1,678)
Tax credit	**(765)**	(1,502)	(2,712)
Depreciation of property plant and equipment	**246**	337	673
(Gain)/loss on disposal of property, plant and equipment	**(84)**	-	534
Impairment of intangible assets	**4,158**	343	1,261
Share-based payments	**938**	843	1,736
Operating cash flows before movement in working capital	**(10,742)**	(20,001)	(19,617)
Decrease/(increase) in debtors	**1,011**	(319)	(420)
(Decrease)/increase in creditors and provisions	**(2,360)**	1,643	(19,089)
Cash used in operations	**(12,091)**	(18,677)	(39,126)
Finance income	**120**	243	442
Income taxes received	**-**	2	582
Research and development tax credit received	**3,342**	-	2,000
Net cash used in operating activities	**(8,629)**	(18,432)	(36,102)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(128)**	(330)	(459)
Proceeds on disposal of property, plant and equipment	**84**	-	68
Sale/(purchase) of short-term deposits	**13,270**	(14,443)	5,859
Net cash generated from/(used in) investing activities	**13,226**	(14,773)	5,468
Cash flows from financing activities			
Proceeds from issue of ordinary share capital	**49**	71	162
Net cash generated from financing activities	**49**	71	162
Net increase/(decrease) in cash and cash equivalents	**4,646**	(33,134)	(30,472)
Exchange (losses)/gains on cash and bank overdrafts	**(57)**	1,296	1,355
Cash and cash equivalents at beginning of the period	**10,098**	39,215	39,215
Cash and cash equivalents at end of the period	**14,687**	7,377	10,098

Notes to the interim accounts

1. Basis of Preparation and Accounting Policies

The interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of its registered office is Chiswick Park Building 5, 566 Chiswick High Road, London, W4 5YF.

Statutory accounts for the year ended 30 June 2010 were approved by the Board of Directors on 5 August 2010 and 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 any statement under Section 498 of the Companies Act 2006. This half-yearly financial report has been reviewed, not audited.

This condensed consolidated half-yearly financial information for the six months ended 31 December 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 – 'Interim Financial Reporting' as adopted by the European Union. This half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2010, which have been prepared in accordance with IFRS as adopted by the European Union. Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2010, as described in those financial statements.

Taxes on income in interim periods are accrued using the tax rate that would be applicable to total expected annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 July 2010 although they are not considered to be applicable for the Group at this time:

- Amendment to IAS 32, 'Financial instruments: Presentation', − classification of rights issues. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Prior to the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated. Effective for annual periods beginning on or after 1 February 2010.

- Amendment to IFRS 1, 'First time adoption' − financial instrument disclosures. This amendment provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7 regarding comparative information for the new three-level classification disclosures. Effective for annual periods beginning on or after 1 July 2010.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the borrower issuing its own equity instruments to the lender. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. Effective for annual periods beginning on or after 1 July 2010

There are no other new Standards likely to have an effect on the financial statements for the year ending 30 June 2011.

The following amendments to existing standards and new interpretations have been published and are mandatory for the Group's future accounting periods. They have not been early adopted in these financial statements and are not expected to have a significant impact on future financial statements when adopted:

- Improvements to International Financial Reporting Standards 2010 (Effective for annual periods beginning on or after 1 January 2011 subject to endorsement by the European Union);
- IAS 24 (Revised), Related party disclosures (Effective for annual periods beginning on or after 1 January 2011 subject to endorsement by the European Union);
- IFRS 9, Financial Instruments (Effective for annual periods beginning on or after 1 January 2013 subject to endorsement by the European Union);
- IFRIC 14 (Amendment), IAS 19 Prepayments of a minimum funding requirement (Effective for annual periods beginning on or after 1 January 2011).

2. Segmental information

Antisoma's operating segments are being reported based on the financial information provided to the Senior Management Team, which is used to make strategic decisions. The Senior Management Team are of the opinion that under IFRS 8 – 'Operating segments' the Group has only one operating segment, being drug development.

The Senior Management Team assesses the performance of the operating segment on financial information which is measured and presented in a manner consistent with that in the financial statements.

3. Impairment of intangible assets and goodwill

During the six month period ending 31 December 2010 Novartis announced that it was ceasing further development of the product ASA404. Under IAS 36, the cessation of further development is considered to be an indication that the intangible assets may be impaired.

Impairment reviews have been performed on the goodwill and intangible assets associated with the product where development has ceased in order to determine the recoverable amounts of the assets, the recoverable amount being the higher of value in use and the fair value of the asset less the costs to sell. When development of a product is discontinued, management is of the opinion that the value in use is nil.

Consequently, an impairment of £4.2 million has been made to impair the carrying value of such intangible assets to £nil. The impairment has been recorded within research and development expenses.

As a result of the announcement made on the 31 January 2011 that development of AS1413 would stop and the phase II trial of AS1411 would be halted. Impairment reviews will be performed on the goodwill and intangible assets associated with these products. This has not been reflected in the results because it is a post balance sheet event. The Group estimates that an impairment of approximately £54.3 million will be booked in the accounts for the year ended 30 June 2011; however, a full analysis will be required (see note 8).

4. Finance income

	6 months ended 31 Dec 2010	6 months ended 31 Dec 2009	Year ended 30 June 2010
	£'000	£'000	£'000
Interest receivable:			
- On short term deposits	**76**	130	320
- On cash and cash equivalents	**10**	150	90
Net foreign exchange gains on financing activities	**(15)**	1,275	1,268
Total	**71**	1,555	1,678

5. Loss per ordinary share

	6 months ended 31 Dec 2010	6 months ended 31 Dec 2009	Year ended 30 June 2010
Loss for the period (£'000)	**(15,380)**	(18,280)	(18,652)
Weighted average number of shares ('000)	**630,810**	616,105	621,937
Basic loss per ordinary share	**(2.4)p**	(3.0)p	(3.0)p

In the six months ended 31 December 2010, the six months ended 31 December 2009 and the year ended 30 June 2010, the Group had no dilutive potential ordinary shares in issue because it was loss making.

6. Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance are not expected to change in the next six months and remain those detailed on page 8 of the Group's 2010 Annual Report and Financial Statements, a copy of which is available on the Group's website: www.antisoma.com. The risks and uncertainties relate to clinical and regulatory risk, competition and intellectual property risk, economic risk and financial risk.

7. Related party disclosures

- Three of the Directors of the Company purchased new ordinary shares of 1p each, having elected to take a part of their fees in newly issued shares of the Company.
- Kudos Independent Financial Services Limited ('KIFS') is a related party because Michael Pappas is a Director of the Company and of KIFS. KIFS advises the Company in relation to pensions, permanent health insurance and life assurance and derives its income by way of commission from the suppliers of these products. No income is derived directly from the Company.
- Leventis Holding SA ('LH') is a related party as it was a substantial shareholder in Antisoma plc during the year under review. Michael Pappas is the representative of LH on the Board of Antisoma plc.

8. Post balance sheet event

As announced on 31 January 2011 the ACCEDE phase III trial of AS1413 (amonafide) in secondary acute myeloid leukaemia (secondary AML) did not meet its primary endpoint. As a result a decision was taken by the Board that it would cease further development of AS1413. An ongoing phase IIb trial of AS1411 in AML was also stopped.

Under IAS 36, the cessation of further development is considered to be an indication that the associated goodwill and intangible assets will be impaired. However, the results are considered to be a non-adjusting event in accordance with IAS 10 and not informing of the conditions at the period end and therefore no impairment has been shown in the 31 December 2010 half-yearly financial report.

Impairment reviews will be performed on the goodwill and intangible assets associated with products where development has ceased in order to determine the recoverable amounts of the assets, the recoverable amount being the higher of value in use and the fair value of the asset less the costs to sell. When development of a product is discontinued, management is of the opinion that the value in use is nil.

The Group estimates that an impairment of approximately £54.3 million will be booked in the accounts for the year ended 30 June 2011; however, a full analysis will be required.

Statement of Directors' Responsibilities

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

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

The Directors of Antisoma plc are listed in the Antisoma plc 2010 Annual Report. A list of current Directors is maintained on the Antisoma plc website: www.antisoma.com.

By order of the Board

Glyn Edwards
Chief Executive
8 February 2011

Eric Dodd
Chief Financial Officer
8 February 2011

Independent review report to Antisoma plc

Introduction

We have been engaged by the company to review the half-yearly financial report in the half-yearly financial report for the six months ended 31 December 2010 which comprises the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors’ responsibilities

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

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’ issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
8 February 2011
Reading

(a) The maintenance and integrity of the Antisoma 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 financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.