

NORWOOD IMMUNOLOGY LIMITED

**INTERIM CONSOLIDATED RESULTS FOR THE HALF YEAR
TO 31 DECEMBER 2008**

Norwood Immunology Limited ('Norwood Immunology' or 'the Group') (AIM:NIM), the Group with technologies in the fields of the rejuvenation of the immune system, the development of virosomal vaccines and stem cell therapies, today announces its interim consolidated results for the half year ended 31 December 2008.

BUSINESS HIGHLIGHTS AND CHAIRMAN'S REVIEW

Funding

For some time, your Board has recognised the importance of securing appropriate finance for the requirements of the Group and has been exploring all options with advisers.

The Board took the view in early 2008 that the slow development and early stage of the Group's projects would make raising finance through traditional capital market routes very difficult. Accordingly, the Board concluded that it should actively explore the divestment of assets to raise capital. In this latter regard, during the half year ended 31 December 2008, the Board announced that it had commenced discussions regarding the sale of Bestwil, the parent company of the virosomal vaccine development business. The completion of the sale of the Virosome vaccine business to Mymetics Corporation was announced on 17 April 2009 and a special dividend of 1p per Ordinary Share, funded from the initial sale proceeds, was paid to shareholders on 8 May 2009.

Whilst completed after the current period end, the sale of the Virosome project, provides the Group with the necessary capital to ensure it can, for the foreseeable future, continue to trade on a 'going concern' basis.

Virosome Biologicals

The Virosome vaccine business developed well during the six months to 31 December 2008, in particular with ongoing work being conducted relating to the exclusive evaluation agreement with MedImmune LLC for our in-house developed vaccine candidate for Respiratory Syncytial Virus.

The Board believes that this progress, together with the Virosome pipeline and IP portfolio, were important in achieving the ultimate sale of the business.

The sale of the Virosome vaccine business was based on non-contingent consideration of €5million in cash together with a €2.5million interest bearing convertible loan note. In addition, further consideration may be receivable by way of milestones and royalties depending upon the achievements of the business sold.

Although the sale of the Virosome vaccine business occurred after the 31st December 2008, the sale gave rise to a reassessment of the impairment provision made in the year ended 30 June 2008 against the in-process R&D associated with this business. Accordingly, a reversal of A\$13.3m previously provided has been made in these interim consolidated results.

Immune System Rejuvenation

The Company has had disappointing news with regard to both the progress of recruitment for the US based clinical trials, as well as the results from interim data.

The Group's Phase II US clinical trial in cancer patients undergoing autologous (self-derived) BMT in the USA, to determine whether there is enhanced immune recovery as a result of using Norwood Immunology's technology, continued to experience slower than expected recruitment rates. The Group attempted to enrol additional US trial centres, however despite these efforts, and those of the Principal Investigator, issues related to both the complexity and duration of the protocol, frustrated these initiatives. As a result, it was decided, in April 2009, to halt this trial. Results from the patients completing the protocol will be evaluated to determine whether any useful data regarding the therapy can be determined.

The Company has also been conducting a Phase II US clinical trial looking at the GnRH analogue Lupron Depot®, being administered as an adjunctive immunology therapy in relation to an experimental melanoma vaccine. This trial has been conducted in collaboration with The University of Texas MD Anderson Cancer Center, of Houston. Interim data has been analysed from the first 50 patients enrolled in the study. The interim analysis of results has not shown a statistically significant vaccine response or improvement in efficacy, and it is not expected that the trial will be progressed further.

The Board have determined that in view of the above, and the resultant uncertainties in regard to the commercial opportunities, that the Company should not commit to spend any further sums on this project.

Stem Cell Initiative

The Group has been pursuing an examination of the commercial potential for stem cell-based initiatives. In the course of the last 12 months, the Group has been investigating the commercial opportunities in regard to the potential provision of stem cell therapies in the veterinary setting. The focus of attention on the veterinary market has been driven by the commercial opportunities, intellectual property considerations, and the relatively lower regulatory barriers.

The Group commenced an involvement in trial therapeutic treatments of canines in late 2008. The trials are ongoing. The Company is continuing to monitor the progress of animals treated, but initial results have been encouraging. The Company is currently completing an evaluation of the initial trial results, the resultant commercial opportunities and certain intellectual property considerations. The Group has the opportunity to secure a stake in an Australian based veterinary stem cell initiative. It is currently expected that the Group will, in the near future, make a determination with respect to the commercial opportunities and its ongoing involvement in veterinary stem cell treatments.

Strategic Review

Following the sale of Virosome Biologicals, together with the disappointing progress from the US clinical trials, the Board is critically appraising the strategic direction of the Group. This exercise is being conducted in consultation with advisers and major shareholders.

As previously announced, and after having taken appropriate advice on the merits of the various alternatives, the Board is planning to shortly send to shareholders its recommendations and proposals regarding the future direction of the Group. These recommendations may include a recommendation that NIM should seek a delisting from AIM. In addition, it is possible, subject to a review of the alternatives, that the Board might make a proposal to repurchase some of the Company's shares. Such proposals would require prior shareholder approval at an EGM.

Financial Highlights

The consolidated profit after tax for the 6 months ended 31 December 2008 was A\$12,852,003 (2007: loss A\$1,802,973), or approximately £6.15 million. This is after making a reversal of an impairment provision to the carrying value of intangible assets of A\$13,266,500. It is encouraging to note that, before the effect of the impairment provision release, the consolidated loss after tax of the Group for the period was limited to A\$414,497 (approximately £200,000).

Cash on hand at 31 December 2008 was A\$1,247,926 (2007: A\$3, 213,403), approximately £0.6 million.

Basic profit per share was A\$0.0563 (2007: loss per share A\$ 0.1168), approximately £0.027 (2007: loss - £0.051).

Summary and Outlook

Following the sale of the Virosome Biologicals business, and particularly given the disappointing progress and trial results on the immunology programme, the Board believes that the future strategic direction of the Group needs to be carefully re-assessed. This is particularly the case given the Board's recent decision to suspend any further expenditure commitments on the Immune System Rejuvenation project. The Board is consulting with advisers and key shareholders concerning the appropriate future direction of the Group. Whilst this exercise is being undertaken, the Group continues to focus on cost control and minimising cash burn. As stated above, however, a decision to rapidly return a significant proportion of the net proceeds of the Bestewil disposal by way of a special dividend (of A\$4.77 million in aggregate) has already been taken.

Given that the payment of a significant part of the consideration for the sale of Virosome Biologicals is via a three year convertible note – together with possible future milestone payments – it is important that the Company makes sure that it remains in a sound financial position. While the sale of the Virosome Biologicals business occurred after the end of the current reporting period, the cash raised from the sale has provided the Group with the necessary capital to ensure its ability to continue as going concern for the foreseeable future.

The commercial opportunity in connection with stem cell therapies in the veterinary area shows considerable promise, and the Group will further evaluate and assess this opportunity over the remainder of this financial year. During the course of the above review, the Board has determined that expenditure in this area will be both tightly controlled and modest.

Peter Hansen
Chairman
19 May 2009

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Consolidated Income Statement

		Unaudited 6 months to 31 December 2008 A\$	Unaudited 6 months to 31 December 2007 A\$	Audited 12 months to 30 June 2008 A\$
	<u>Note</u>			
Revenue from ordinary activities		786,486	121,771	259,985
Other income		25,675	98,047	287,433
Depreciation and amortization expense		(30,331)	(30,085)	(58,277)
Employee benefits expense		(656,193)	(770,670)	(1,628,496)
Finance costs		(15,866)	(25,758)	(55,569)
Insurance		(51,084)	(54,708)	(106,801)
Investor relations		(14,066)	(72,816)	(139,074)
Legal costs		(140,376)	(3,172)	(47,483)
Net foreign exchange (loss)/gain		463,685	8,064	(101,179)
Professional and consulting fees		(319,949)	(270,454)	(573,941)
Patent costs		(104,525)	(138,628)	(309,482)
Travel expenses		(50,135)	(113,275)	(202,127)
Research and development costs immediately expensed (net of grant)		(160,749)	(417,656)	(753,144)
Impairment of non-current assets		13,266,500	(24,880,533)	24,880,532
Other expenses from ordinary activities		(147,069)	(122,540)	(179,604)
Loss before income tax expense		12,852,003	(26,672,413)	(28,488,291)
Income tax expense		-	-	-
Profit (Loss) for the period attributable to members of the Group		<u>12,852,003</u>	<u>(26,672,413)</u>	<u>(28,488,291)</u>
Profit (Loss) per share				
Basic	3	0.0563	(0.1168)	(0.125)
Diluted	3	<u>0.05755</u>	<u>(0.1168)</u>	<u>(0.125)</u>

All activities derive from continuing operations.

There are no recognised gains and losses for the current financial period and preceding financial year other than as stated in the consolidated income statement.

Consolidated Balance Sheet

	Unaudited as at 31 December 2008 A\$	Unaudited as at 31 December 2007 A\$	Audited as at 30 June 2008 A\$
Current assets			
Cash and cash equivalents	1,247,926	3,213,403	1,243,759
Trade and other receivables	287,608	101,433	414,255
Prepayments	48,012	99,434	99,079
Total current assets	1,583,546	3,414,280	1,757,093
Non-current assets			
Other financial assets	14,361	11,836	11,553
Plant and equipment	216,382	237,584	202,782
Goodwill	-	-	-
Intangible assets	13,266,500	-	-
Total non-current assets	13,497,243	249,420	214,335
Total assets	15,080,789	3,663,700	1,971,428
Current liabilities			
Trade and other payables	1,277,410	482,421	1,062,220
Other financial liabilities	545,366	890,801	449,425
Provisions	27,610	46,123	23,926
Total current liabilities	1,850,386	1,419,345	1,535,571
Non-current liabilities			
Provisions	53,906	22,242	42,479
Total non-current liabilities	53,906	22,242	42,479
Total liabilities	1,904,292	1,441,587	1,578,050
Net assets	13,176,496	2,222,113	393,379
Equity			
Issued capital	57,842,753	57,842,753	57,842,753
Foreign currency translation reserve	(81,742)	-	(12,857)
Accumulated losses	(44,584,515)	(55,620,640)	(57,436,518)
Total equity	13,176,496	2,222,113	393,378

Consolidated Cash flow Statement

	Unaudited 6 months to 31 December 2008 A\$	Unaudited 6 months to 31 December 2007 A\$	Audited 12 months to 30 June 2008 A\$
Cash flows from operating activities			
Receipts from customers	570,647	121,771	199,287
Payments to suppliers and employees	(592,155)	(2,663,472)	(4,328,407)
Interest and other costs of finance paid	-	-	(55,569)
Net cash used in operating activities	(21,508)	(2,541,701)	(4,184,689)
Cash flows from investing activities			
Interest received	25,675	95,057	143,337
Payment for plant and equipment	(-)	(12,467)	(10,458)
Payment for intangible assets	-	(47,924)	(47,923)
Payment for businesses	-	-	-
Purchase of other financial assets	-	-	(377)
Proceeds from sale of plant & equipment	-	-	318
Net cash used in investing activities	25,675	34,666	84,897
Cash flows from financing activities			
Repayment of borrowings	-	-	(351,159)
Net cash provided by/(used in) financing activities	-	-	(351,119)
Net increase/(decrease) in cash and cash equivalents	4,167	(2,507,035)	(4,450,911)
Cash and cash equivalents at the beginning of the period	1,243,759	5,720,438	5,720,483
Effects of exchange rate changes on the balance of cash held in foreign currencies	-	-	(25,768)
Cash and cash equivalents at the end of the period	1,247,926	3,213,403	1,243,759

Note

8

NOTES TO THE FINANCIAL INFORMATION

1 Basis of preparation

The results for the half-year are unaudited. The financial information in this interim statement does not constitute the statutory financial statements within the meaning of section 240 of the Companies Act 1985.

The financial information in this announcement has been prepared on the basis of Australian IFRS and the accounting policies as set out in the most recently published set of annual financial statements. The interim results and prior year comparative results have been prepared using accounting policies consistent with those adopted in the audited financial statements for the year to 30 June 2008. This includes prior year comparatives for the 6 months to 31 December 2007.

The financial information for the year ended 30 June 2008, has been extracted from the audited financial statements for the year ended 30 June 2008. The auditor's report on those accounts was unqualified.

This interim statement was approved by the Board of Norwood Immunology Limited on 19 May 2008.

This interim statement of unaudited results for the 6 months ended 31 December 2008 is, from today 20 May 2008, available on the Company's website www.norwoodimmunology.com.

2 Going concern

The Group is an emerging pharmaceutical business and as such expects to be cash absorbing until its technologies are commercialised.

As a result of the completed disposal of the Virosome vaccine business after period end, the Group now has sufficient cash resources to ensure that it can continue as a going concern for the foreseeable future, whilst its strategic direction is determined. Accordingly, these financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

3 Basic and diluted loss per ordinary share

The calculations of earnings per share are based on the following profits (losses) and numbers of shares.

	Unaudited 6 months to 31 December 2008 A\$	Unaudited 6 months to 31 December 2007 A\$	Audited 12 months to 30 June 2008 A\$
Profit (Loss) for the financial period	12,852,003	(26,672,143)	(28,488,291)
Weighted average number of shares:	No.	No.	No.
For basic earnings per share	228,251,378	228,241,387	(28,488,291)
Exercise of share options	-	-	-
For diluted earnings per share	228,251,378	228,241,387	228,241,387

EPS has been prepared using Australian IFRS results but consistent with UK GAAP under FRS 14, presentation of diluted EPS is required when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. The loss and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for the basic earnings per ordinary share as, in the periods to 30 June 2008, the exercise of share options would have the effect of reducing the loss per ordinary share (and is therefore not dilutive) and in the current financial period, all options had already lapsed.

4 Goodwill

	Unaudited 6 months to 31 December 2008 A\$	Unaudited 6 months 31 December 2007 A\$	Audited 12 months to 30 June 2008 A\$
Net book value:			
Balance at beginning of financial period	2,100,000	2,100,000	2,100,000
Impairment	(2,100,000)	(2,100,000)	-
Balance at end of financial period	-	-	2,100,000

In the financial year ended 30 June 2008, the Directors re-assessed the carrying values of the goodwill from the acquisition of Virosome Biologicals. The cash position of the Group at the time created uncertainty as to whether there would be adequate financial resources in the long term to complete the development of the Virosome Biologicals technologies and to create future economic benefits. Accordingly, the Directors therefore believed that a prudent application of Australian IFRS led to an impairment to the carrying value goodwill.

5 Other intangible assets

Gross carrying value	In-process R&D A\$	Patents A\$	Total A\$
Balance at 1 July 2007	18,258,031	5,141,780	23,447,734
Additions from internal developments	-	47,923	47,923
Balance at 30 June 2008	18,258,031	5,189,703	23,447,734
Additions from internal developments	-	-	-
Balance at 31 December 2008	18,258,031	5,189,704	23,447,735

	In-process R&D A\$	Patents A\$	Total A\$
Accumulated amortisation/impairment			
Balance at 1 July 2007	-	667,202	667,202
Amortisation expense	-	-	-
Impairment losses charged to profit	18,258,031	4,522,502	22,780,533
Balance at 30 June 2008	18,258,031		
Amortisation expense	-	-	-
Reversal of 2007/8 impairment provision	13,266,599	-	-
Balance at 31 December 2008	4,991,531	-	-
	In-process R&D A\$	Patents A\$	Total A\$
Net book value			
As at 30 June 2008	-	-	-
As at 31 December 2008	13,266,500	-	13,266,500

During the year ended 30 June 2008, the Directors re-assessed the carrying values of intangible assets comprising the Group's patents and in-process R&D. Following completion of the sale of Virosome Biologicals to Mymetics Corporation in April 2009, the directors have reversed an element of the impairment provision then made and this is reflected in the increased valuation of in-process R&D. The revision to the impairment provision reflects the non-contingent consideration received on the sale of Virosome, net of costs.

However, as the Board are currently uncertain about whether the future strategy of the Group will involve further development of the remaining IP portfolio, it has been felt prudent to maintain a full provision against remaining patents and non-Virosome related in-process R&D.

6 Current interest bearing liabilities

	31 December 2008 A\$	31 December 2007 A\$	30 June 2008 A\$
Unsecured:			
Deferred consideration	545,366	890,801	449,425
	545,366	890,801	449,425

On 27 November 2006 the Group completed the acquisition of all of the issued shares of Bestewil. As part of the consideration for the acquisition a payment of €0.5 million was deferred, and by agreement with the recipients was finally paid in full in April 2009. The balance above includes accrued interest payable on the deferred amount at 6% per annum.

7 Statement of Changes in Equity

	For the 6 months to 31 December 2008			Total
	Issued Capital	Accumulated losses	Foreign currency translation reserve	
	A\$	A\$	A\$	
Opening balance	57,842,753	(57,436,518)	(12,857)	393,378
Exchange differences arising on translation of foreign currency			(68,885)	(68,885)
Total recognized directly in equity			(68,885)	(68,885)
Profit for the period		12,852,003		12,852,003
Closing balance	57,842,753	(44,584,515)	(81,742)	13,176,496

Issued capital

Number at 1 July 2008
 Shares issued during period
 Number at 31 December 2008

No.
228,241,387
-
<u>228,241,387</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

8 Reconciliation of loss from ordinary activities after related income tax to net cash flows from operating activities

	Unaudited 31 December 2008 A\$	Unaudited 31 December 2007 A\$	Audited 30 June 2008 A\$
Profit(Loss) from ordinary activities after related income tax	12,852,003	(26,672,413)	(28,488,291)
Depreciation	30,331	30,085	58,277
Net unrealised foreign exchange loss/(gain)	(34,496)	(8,064)	101,179
Interest received	(25,675)	(95,057)	(143,337)
Non-cash interest	14,813	23,891	-
Loss on disposal	-	-	3,854
Impairment of non-current asset	(13,266,500)	24,880,553	24,880,532
Decrease/(increase) in current receivables	126,647	(18,955)	(331,767)
Decrease/(increase) in current prepayments	51,067	56,925	57,280
Increase/(decrease) in current payables	215,190	(720,420)	(302,232)
(Decrease)/increase in provisions	15,111	(18,226)	(20,185)
Net cash used in operating activities	<u>(21,509)</u>	<u>(2,541,701)</u>	<u>(4,184,689)</u>

9 Events after the balance sheet date

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto (in particular, Note 5 relating to the impact of the sale of Virosome after the balance sheet date and the special interim dividend of 1p per Ordinary Share paid on 8 May 2009) that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operation of the Group, the results of those operations, or the state of affairs of the Group in the future financial periods.

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