

# Press Release

## ProStrakan Group plc

### Interim Results for the Six Months Ended 30 June 2010

**Galashiels, UK, 19 August 2010:** ProStrakan Group plc (LSE: PSK), the international specialty pharmaceutical company, today announces its Interim Results for the six months ended 30 June 2010.

#### FINANCIAL HIGHLIGHTS

- Total revenue growth of 23% to £45.4m (2009: £37.0m)
  - Strong European performance drives growth
  - Product sales up 28%
  - Total revenue growth of 25% at constant currency
- Gross profit growth of 19% to £29.5m (2009: £24.8m)
- EBITDA of £1.2m (2009: £4.3m loss)
- Operating loss reduced to £0.8m (2009: £6.7m loss)
- Pre-tax loss reduced to £2.7m (2009: £9.4m loss)
- Closing cash position of £23.9m (30 June 2009: £28.1m)

#### OPERATING HIGHLIGHTS

- European business growth continues
  - European revenues up 26% to £38.6m (29% at constant currency)
  - Abstral achieves sales of £7.4m (2009: £1.0m)
  - Revenues from other pan European products up 15% to £10.2m
  - Adcal-D3 sales up a further 19% to £10.9m
- US business continues to make progress
  - Sancuso sales up by 25% to £4.6m (28% at constant currency)
  - Abstral regulatory review period extended by three months
  - Fortesta re-filed – approval expected December 2010
- Worldwide partnering programme makes significant contribution
  - 10 new product country launches through partners
  - 14 regulatory submissions by partners

Commenting on the results, Dr Wilson Totten, Chief Executive of ProStrakan, said:

“Our clear strategic focus is on growing our broad portfolio of patient-friendly products and to promote these products through our own sales forces in Europe and the US while seeking out high quality partners for other countries.

“We have a great European business which continues to grow strongly. Our US business is developing well, with Sancuso showing good growth and two impending product approvals in the second half of 2010. In addition, our portfolio of international partners is beginning to contribute meaningful sales revenue as new product launches take place in a wide variety of markets.

“I believe the diversity of ProStrakan’s business places us in a very secure position for future growth.”

**Notes to editors**

There will be a presentation and conference call for investment analysts today (Thursday, 19 August) at 9.00am. Please contact Val Mugridge on 020 7396 5325 for details.

For further enquiries, please contact:

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**ProStrakan Group plc**  
**Interim Results for the Six Months Ended 30 June 2010**

**INTRODUCTION**

The first half of 2010 saw a period of further growth for ProStrakan as it pursues its strategy of in-licensing and developing late-stage, patient-friendly products for unmet medical needs; promoting these products through its own sales forces in Europe and the US; and out-licensing its products to high quality partners in non-core areas.

The successful implementation of this strategy has grown revenues to such a level that H1 2010 was the first six month period in the Group's history for which it has achieved a positive EBITDA.

Total revenues for H1 2010 increased by 23% to £45.4m (2009: £37.0m) with product sales growing by 28% to £44.1m (2009: £34.6m), as ProStrakan saw continued growth from its existing product portfolio in Europe, the considerable expansion of Abstral's position across the principal European markets and further double digit growth from Adcal-D3. The US business grew sales of Sancuso while Business Partnering saw strong growth in product sales, although total revenues from partnering were lower compared with the same period in 2009 due to lower licence receipts partly offset by significantly greater product sales through partners. Foreign exchange rates marginally suppressed reported revenues due to the relative weakness of the euro and overall revenue growth at constant currency was 25%.

Consequently, ProStrakan achieved a positive EBITDA of £1.2m for H1 2010 compared with a loss of £4.3m in H1 2009.

**EUROPE**

One of ProStrakan's most valuable assets is its speciality pharmaceuticals business in Europe.

Total European revenues in H1 2010 grew by 26% to £38.6m (2009: £30.6m). Excluding the impact of foreign currency fluctuations, revenue growth in Europe was 29%.

ProStrakan's European business is built around a broad-based marketing and distribution capability with the company's products being promoted through its own sales forces in the UK, Germany, France, Spain and Italy. The Company also has marketing and distribution operations in Belgium, Holland, Luxembourg and Greece and a joint venture covering the Nordic region.

ProStrakan promotes a range of pan-European products as well as promoting country specific products and has enjoyed double digit growth in Europe for a number of years.

**Pan-European Products**

ProStrakan has four core products marketed widely across Europe and which the business classifies as its pan-European products.

**Abstral** is a new, sub-lingual (under the tongue) formulation of fentanyl, a strong analgesic used for the management of episodes of severe breakthrough pain experienced by cancer patients who are already receiving opioid analgesics for their pain.

Abstral was launched in Sweden in August 2008. In 2009, ProStrakan launched Abstral in the UK and Germany in January, in France in July, and in Spain in October. The Italian launch for Abstral is scheduled for H2 2010.

During the first six months of 2010, our specialist sales teams further expanded Abstral's position in these markets, achieving sales of £7.4m (2009: £1.0m). During the period, Abstral was also launched in Norway, through our joint venture with Orexo AB.

**Rectogesic** is indicated for the relief of pain associated with chronic anal fissures. This product continued to record strong growth, with sales increasing by 25% to £4.9m in H1 2010 (2009: £3.9m).

**Xomolix** (also branded as Droperidol) is a branded, injectable drug used primarily in hospitals for the prevention and treatment of post-operative nausea and vomiting. Total revenues grew by 3% to £4.0m during the period (2009: £3.9m).

**Tostran** is a transdermal 2% testosterone gel that utilises a metered dose delivery system for testosterone replacement therapy in male hypogonadism. Sales of Tostran continued to increase over the period, growing by 27% to £1.3m (2009: £1.0m).

### **Principal Country-Specific Products**

In addition to its pan-European products, ProStrakan also has a range of country-specific products which form an important part of the company's strategy as they assist in supporting the costs of the commercial operations in these markets. The largest of these is Adcal-D3.

**Adcal-D3** – UK. A branded calcium and vitamin D3 oral supplement, used as an adjunct to specific therapy for the treatment of osteoporosis and consistently the UK market leader. Adcal-D3 remains ProStrakan's best-selling medicine. Total brand revenues for Adcal-D3 grew by a further 19% in H1 2010 to £10.9m (2009: £9.1m).

Other important country-specific brands are:

**Isotard XL** – UK. A once-daily prophylactic treatment for angina.

**Pencial** – Spain. Indicated for the treatment of advanced prostate cancer in combination with LHRH analogue therapy or surgical castration.

**Tebetane** – Spain. Indicated for the treatment of mild benign prostatic hyperplasia.

**Insuplant** – France. Indicated for diabetes requiring treatment with insulin and when the use of an implantable pump is indicated.

ProStrakan continues to seek out opportunities to expand its portfolio on a country by country basis and during the period the company in-licensed three new country-specific products for the Spanish market: Radiocare; Dragul; and Devazol. These products are expected to start

generating revenues in H2 2010. In addition, for Italy ProStrakan has in-licensed CD2, a treatment for oral mucositis, which will be marketed alongside Abstral. We plan to launch this product in H2 2010.

## **UNITED STATES**

An important element of ProStrakan's strategy is its expansion into the US, initially in the field of oncology support.

In H1 2010 US revenues grew by 25% to £4.6m (2009: £3.7m) – 28% growth at constant currency.

ProStrakan's US operation is headquartered in Bedminster, New Jersey. The US business focuses on sales & marketing, late stage development and marketed product support and currently accesses the US market via a contract sales force focused around major metropolitan areas across the US. This sales force calls on oncologists and oncology support staff. At the turn of the year, the members of the US sales force will become employees of ProStrakan, following the earlier transfer of the senior management of the sales team.

## **US Products**

**Sancuso** is a transdermal patch that delivers granisetron, an established 5-HT<sub>3</sub> receptor antagonist, steadily into the bloodstream for up to seven days. It helps to prevent the side-effects of nausea and vomiting in patients undergoing chemotherapy (CINV) for up to five consecutive days, without the need for daily injections or having to swallow pills.

Revenues for Sancuso in H1 2010 grew by 25% to £4.6m (2009: £3.7m). This product has received considerable focus since its launch at the end of 2008 including the introduction of a number of initiatives, designed to invigorate growth. These have included the launch of a specialty pharmacies distribution strategy; the introduction of a new co-pay assistance card; increased discounts for Medicare and Medicaid patients; and a sharpened focus on specialist oncology hospitals and clinics with our primary target of achieving formulary or clinical pathway status for Sancuso.

Our strategy going forward includes an increased focus on oncologists that specialise in head and neck cancer, where the swallowing of tablets can be particularly difficult for patients. These initiatives have been supported by the launch of a suite of Sancuso promotional and instructional videos on YouTube, which are proving of interest to medical specialists and patients alike.

The Group has recently been advised by Aveva Drug Delivery Systems ("Aveva"), the manufacturer of Sancuso, that following an FDA inspection it has elected to cease all manufacturing for a period of 8-12 weeks in order to make changes to its internal quality assurance systems. The decision was made following discussions with the FDA. None of the matters being discussed are specifically related to the production of Sancuso. The Group is currently working with Aveva to monitor any impact on product supply.

**Abstral** is expected to be a key driver of growth and value in the US. This product has enjoyed a highly successful launch in Europe and is currently undergoing regulatory review in the US as discussed in the Product Development section of this report. On approval, Abstral will be

promoted in the US by ProStrakan's existing sales force. The business is working towards a launch in Q4 2010.

## **BUSINESS PARTNERING**

The third strand of ProStrakan's growth strategy is focused on capitalising on our high value medicines in non-core territories by entering into out-licensing arrangements with high quality partners with strong distribution capabilities in those markets. Partnering revenues were £2.2m in H1 2010 in comparison with £2.7m in H1 2009.

Revenues from partnering activities are a blend of licence receipts – often associated with the early stages of a relationship – together with product sales and royalty revenues, which begin to flow once a product has been launched. As a consequence, these revenues can be quite variable. In H1 2009, the Group received one-off licence receipts as a result of the out-licensing agreement with Gedeon Richter, partner for Abstral in Central & Eastern Europe (CEE), which did not recur in 2010. Although total H1 2010 revenues from partnering were lower than in H1 2009, revenues from the sale of products increased by 165% as this part of the business moves into product launch phase.

ProStrakan has a small but growing team dedicated to managing these alliances. In H1 2010, there was a number of notable events for this team, including the following:

- First product shipments of Sancuso to South Korea and Singapore
- Abstral launched in seven of the eight CEE countries to which it has been out-licensed
- 10 product launches through partners from a total of 19 planned for 2010
- 14 regulatory submissions by partners for ProStrakan products out of 16 planned for 2010

Bayer Schering Pharma has informed ProStrakan that it is handing back the right to develop and commercialise Tostran in 65 countries worldwide. The Group has also received notification that Solasia Pharma KK is handing back the right to market and sell Sancuso in Japan, but that it will retain its rights in the other territories for which it has an interest. Any monies received to date from either partner are non refundable. The Group is actively looking for new partners in these territories.

## **PRODUCT DEVELOPMENT**

ProStrakan has two products which are currently undergoing regulatory review in the US.

**Abstral** was in-licensed for North America by ProStrakan from Orexo AB in August 2008. We submitted the New Drug Application ("NDA") to the FDA in August 2009. This product was initially expected to receive approval in June 2010, however the FDA announced in early June 2010 that it planned to extend the review period for Abstral by a further three months. This extension will allow the FDA to complete its review and to facilitate the agreement of a Risk Evaluation and Mitigation Strategy (REMS) – a management process specifically designed to ensure patient safety through training for doctors, pharmacists and patient enrolment. We expect feedback from the FDA in September 2010.

**Fortesta** (branded as Tostran and marketed by ProStrakan in much of Europe) was out-licensed for the US to Endo Pharmaceuticals Inc. (“Endo”) in August 2009. Tostran is marketed by ProStrakan across Europe and the company believes that this product addresses an otherwise unmet clinical need. In October 2009, the FDA issued a Complete Response letter to Endo requesting the re-analysis of some of the blood samples from the clinical study to ensure compliance with FDA analytical guidance. This re-analysis was completed on schedule and Endo submitted a Complete Response to the FDA on 30 June 2010. In addition, Endo has provided information to the FDA about its plans for a post-approval “wash off” study. The FDA’s review period for Class 2 submissions of this nature is typically six months.

In April 2010 ProStrakan received a Complete Response from the FDA for the New Drug Application for **Rectogesic** (0.4% nitroglycerin ointment) for the treatment of pain associated with chronic anal fissures. We are currently in discussions with the FDA to establish the most appropriate route forward for our continued pursuit of approval for this product.

## **OUTLOOK**

ProStrakan has continued to make strong progress in executing its strategy of marketing and distributing patient-friendly products for unmet clinical needs in Europe and the US. The first half of 2010 showed continued progress in Europe, which we hope to build upon in the second half of the year. ProStrakan’s US business is at an exciting stage. It has seen continued growth in Sancuso sales and we look forward to potential approvals for Abstral and Fortesta in the second half of 2010.

## **FINANCIAL REVIEW**

### **Revenue**

As set out earlier in this report, total revenues for the period increased by 23% to £45.4m (2009: £37.0m). Excluding the impact of foreign exchange, this growth was 25%, with a strengthening of sterling against both the euro and dollar versus the same period last year masking some of the underlying revenue growth in the business.

The majority of the growth was seen in the Group’s European business which grew by 26% to £38.6m (2009: £30.6m). The main drivers in this were the growth in sales of Abstral, which increased sales by £6.4m, Adcal D3 which increased by £1.8m, and the Group’s three pan-European brands Xomolix, Rectogesic and Tostran which together grew by £1.4m. This growth was offset by reductions in revenues in some of the Group’s local products in mainland Europe together with lost revenues from the sale of three non-core products in Europe in the second half of 2009.

Further growth was achieved through the expansion of the Group’s US operation which saw revenues increase by 25% to £4.6m (2009: £3.7m).

Partnering revenues fell 18% to £2.2m in H1 2010 compared with H1 2009 (£2.7m). This part of the business makes revenues from the sale of products to partners as well as from licence and royalty receipts. Revenues from product sales increased by 165% to £0.9m (2009: £0.3m) reflecting supply to fulfil agreements signed to date. Revenues from licensing and royalty receipts

fell to £1.3m (2009: £2.4m). This reduction reflects that during the first half of 2009 certain one-off receipts were recognised in relation to the out-licensing of Abstral in Central and Eastern Europe. These were not repeated in 2010 and, accordingly, impact the overall Group revenue when compared with the previous year.

### **Gross profit**

Gross profit increased by 19% to £29.5m (2009: £24.8m). The key driver of this was the growth in sales seen in Europe and the US as detailed above. Gross margins declined from 67% to 65% due to several factors including product mix, foreign exchange and lower levels of licensing income versus prior year.

### **Operating costs**

Operating costs decreased by 3% to £28.3m (2009: £29.1m). The majority of this reduction came from a 31% reduction in Development costs, which reflected the activities undertaken during the period, many of which continue to be focused on post launch approval work and in the support of pending approvals in the US. Modest savings were made by a 2% reduction in Administration costs which fell to £4.2m (2009: £4.3m). Distribution costs increased by 5% to £20.5m (2009: £19.5m) mainly due to the continued expansion of the sales force as the business expands into the field of oncology support both in Europe and the US. Increases in Distribution costs were lower than might have been at constant exchange rates, as the strong sterling also served to reduce the reported costs of the Groups commercial operations in both Europe and the US.

### **EBITDA and operating losses**

The Group reported positive EBITDA of £1.2m for the period versus a loss of £4.3m in H1 2009. This profit reflected the combination of continued growth in revenues and the reduction in operating costs.

The costs of Depreciation, Amortisation and Impairment reduced by 16% to £2.0m (2009: £2.4m) with the main difference being a charge of £0.3m in 2009 for impairment of product rights which was not repeated in 2010.

There was a significant reduction in Operating losses which fell by 88% to £0.8m (2009: £6.7m).

### **Recognised loss for the period**

Net finance costs fell by 31% to £1.9m (2009: £2.7m). The driver for this reduction was a major movement in the fair value of warrants issued in association with the Group's loan facility. The value of these warrants is re-stated at the end of each accounting period and is directly related to the Company's closing share price, which fell during the period.

A tax charge of £0.2m (2009: £0.3m) was recognised in the period and comprised both movements in deferred tax charges and corporate taxes payable. The Group has significant carried forward losses to offset against future operating profits.

The recognised loss for the financial period fell by 71% to £2.9m (2009: £9.9m) which demonstrated a major improvement over the prior year.

## **Loan facility**

In April 2010 a further £8.0m was drawn down from the existing debt facility with Fortress Investment Group, Morgan Stanley and Och-Ziff Capital Management Group bringing the total amount drawn down at 30 June 2010 to £46.5m (June 2009 £42.0m). This represents the maximum amount available for draw down under the facility. Under the terms of the facility, interest is repaid on a monthly basis, with capital repayments due to commence in December 2010. From that time the Group will repay £1.0m per month until the end of February 2012, at which point the outstanding capital sum is repayable in full.

## **Cash flow**

Cash flow from operations was an outflow of £1.3m versus an outflow of £8.6m for the same period during 2009 and represents a major improvement. This improved position reflected the positive EBITDA position set out above combined with an increase in working capital, which increased by £2.5m during the period. The increases in working capital came from a £2.4m increase in stock together with other movements in payables and receivables.

Cash used in financing the business increased by 24% to £2.3m (2009: £1.9m) due to increased interest costs driven by higher levels of borrowing under the loan facility, combined with lower levels of interest received on cash deposits. Finance income reflected lower cash on hand versus last year as well as very low rates of interest typically available on cash deposits.

Cash generated by financing activities was £7.8m (2009: £5.0m) reflecting the draw down described under the loan facility less costs, and a small repayment.

During the period there was a net increase in cash of £3.9m versus a decrease of £6.3m in the same period last year. The cash movement reflects the changes described above and resulted in a closing cash balance of £23.9m (2009: £28.1m).

## **Balance sheet**

The Group's non-current assets at 30 June 2010 were £37.1m versus £41.5m at the same point last year and £40.2m at 31 December 2009. The reduction seen in the period since 31 December 2009 reflects routine amortisation of intangible assets and movements in foreign exchange.

Current assets at 30 June 2010 were £45.5m versus £45.4m at the same point last year and £37.9m at 31 December 2009. The increase seen in the period since 31 December 2009 reflects increased levels of investment in stock and trade debtors together with higher cash levels following the April 2010 draw down under the loan agreement.

Current liabilities at 30 June 2010 were £35.6m versus £34.3m at the same point last year and £27.5m at 31 December 2009. The increase seen in the period since 31 December 2009 reflects the reclassification of certain of the Group's borrowings from non current liabilities to current liabilities.

Non current liabilities at 30 June 2010 were £55.4m versus £53.6m at the same point last year and £56.1m at 31 December 2009. The decrease seen in the period since 31 December 2009 reflects increased levels of borrowings under the loan facility less certain borrowings transferred to current liabilities, and the re-classification of certain other non-current assets as current assets.

The total value of borrowings on the balance sheet was £44.9m which comprises funds drawn down of £46.5m less cumulative accretion of loan warrants of £0.7m and the carrying value of set up costs £0.9m. The net debt position at 30 June 2010 was £22.6m (June 2009 £13.9m).

### **Principal Risks and Uncertainties**

The principal risks and uncertainties for the Group have not materially changed from those set out in the Directors' Report on pages 25 and 26 of the 2009 Annual Report.

Peter Allen  
Chairman  
ProStrakan Group plc

19 August 2010

**Consolidated interim income statement**  
(unaudited)

|   |      | Six months<br>ended<br>30 June<br>2010<br>£m | Six months<br>ended<br>30 June<br>2009<br>£m | Year<br>ended 31<br>December<br>2009<br>£m |
|---|------|--|--|--|
|   | Note |  |  |  |
| Revenue   | 3    | 45.4   | 37.0   | 79.0                                       |
| Cost of goods sold  |      | (15.9)                                       | (12.2)                                       | (26.4)                                     |
| <b>Gross profit</b>   |      | <b>29.5</b>                                  | <b>24.8</b>                                  | <b>52.6</b>                                |
| Distribution costs  |      | (20.5)                                       | (19.5)                                       | (39.2)                                     |
| Administrative expenses   |      | (4.2)  | (4.3)  | (7.6)                                      |
| Development   |      | (3.6)  | (5.3)  | (12.0)                                     |
| Other gains - net   |      | -  | -  | 1.1  |
| <b>Earnings before interest, taxation, depreciation<br/>and amortisation</b>                    |      | <b>1.2</b>                                   | <b>(4.3)</b>                                 | <b>(5.1)</b>                               |
| Depreciation, amortisation and impairment charges   |      | (2.0)  | (2.4)  | (4.5)                                      |
| <b>Operating loss</b>   |      | <b>(0.8)</b>                                 | <b>(6.7)</b>                                 | <b>(9.6)</b>                               |
| Finance income  |      | -  | 0.2  | 0.2  |
| Finance cost  |      | (2.9)  | (2.7)  | (5.4)                                      |
| Movement in fair value of warrants  |      | 1.0  | (0.2)  | (0.2)                                      |
| <b>Loss before income tax</b>   |      | <b>(2.7)</b>                                 | <b>(9.4)</b>                                 | <b>(15.0)</b>                              |
| Taxation  | 4    | (0.2)  | (0.3)  | (0.6)                                      |
| <b>Loss for the period from continuing operations</b>   |      | <b>(2.9)</b>                                 | <b>(9.7)</b>                                 | <b>(15.6)</b>                              |
| <b>Discontinued operations</b>  |      | <b>-</b>                                     | <b>(0.2)</b>                                 | <b>(0.2)</b>                               |
| <b>Loss for the period</b>  |      | <b>(2.9)</b>                                 | <b>(9.9)</b>                                 | <b>(15.8)</b>                              |
| Attributable to equity shareholders   |      |  |  |  |
| Earnings per share for loss attributable to the equity holders of the Company during the period |      |  |  |  |
| Basic and diluted earnings per share (expressed in pence per share)                             |      |  |  |  |
| From continuing operations  | 5    | (1.4)  | (4.8)  | (7.7)                                      |
| From discontinued operations  |      | -  | (0.1)  | (0.1)                                      |
|   |      | <b>(1.4)</b>                                 | <b>(4.9)</b>                                 | <b>(7.8)</b>                               |

The notes on pages 16 to 23 are an integral part of these consolidated interim financial statements.

**Consolidated interim statement of comprehensive income**  
(unaudited)

|  | Six months<br>ended<br>30 June<br>2010<br>£m | Six months<br>ended<br>30 June<br>2009<br>£m | Year<br>ended<br>31 December<br>2009<br>£m |
|--|--|--|--|
| Loss for the period                              | (2.9)  | (9.9)  | (15.8)                                     |
| Currency translation differences                 | -  | 0.4  | 2.5  |
| <b>Total comprehensive income for the period</b> | <b>(2.9)</b>                                 | <b>(9.5)</b>                                 | <b>(13.3)</b>                              |

The notes on pages 16 to 23 are an integral part of these consolidated interim financial statements.

**Consolidated interim balance sheet**  
(unaudited)

|  | Note | 30 June<br>2010<br>£m | 30 June<br>2009<br>£m | 31 December<br>2009<br>£m |
|--|------|-----------------------|-----------------------|---------------------------|
| <b>Assets</b>  |      |                       |                       |                           |
| <b>Non-current assets</b>  |      |                       |                       |                           |
| Intangible assets  |      | 33.8                  | 38.0                  | 36.7                      |
| Property, plant and equipment  | 6    | 1.3                   | 1.3                   | 1.2                       |
| Deferred tax assets  |      | 2.0                   | 2.2                   | 2.3                       |
|  |      | <b>37.1</b>           | <b>41.5</b>           | <b>40.2</b>               |
| <b>Current assets</b>  |      |                       |                       |                           |
| Inventories  |      | 8.5                   | 7.4                   | 6.1                       |
| Trade and other receivables  |      | 13.1                  | 9.4                   | 12.8                      |
| Income tax receivable  |      | -                     | 0.5                   | -                         |
| Cash and cash equivalents  |      | 23.9                  | 28.1                  | 19.0                      |
|  |      | <b>45.5</b>           | <b>45.4</b>           | <b>37.9</b>               |
| <b>Liabilities</b>   |      |                       |                       |                           |
| <b>Current liabilities</b>   |      |                       |                       |                           |
| Trade and other payables   |      | 26.6                  | 31.5                  | 23.7                      |
| Provisions   |      | 0.6                   | 0.4                   | 0.4                       |
| Borrowings   | 7    | 7.0                   | -                     | 1.0                       |
| Warrant liability  | 7    | 1.4                   | 2.4                   | 2.4                       |
|  |      | <b>35.6</b>           | <b>34.3</b>           | <b>27.5</b>               |
| <b>Net current assets</b>  |      | <b>9.9</b>            | <b>11.1</b>           | <b>10.4</b>               |
| <b>Non-current liabilities</b>   |      |                       |                       |                           |
| Other non-current liabilities  |      | 17.5                  | 14.3                  | 20.6                      |
| Borrowings   | 7    | 37.9                  | 39.3                  | 35.5                      |
|  |      | <b>55.4</b>           | <b>53.6</b>           | <b>56.1</b>               |
| <b>Net liabilities</b>   |      | <b>(8.4)</b>          | <b>(1.0)</b>          | <b>(5.5)</b>              |
| <b>Equity</b>  |      |                       |                       |                           |
| <b>Capital and reserves attributable to the Company's equity holders</b> |      |                       |                       |                           |
| Share capital  | 8    | 172.4                 | 172.2                 | 172.3                     |
| Other reserves   |      | 71.4                  | 70.2                  | 71.5                      |
| Retained earnings  |      | (252.2)               | (243.4)               | (249.3)                   |
| <b>Total equity</b>  |      | <b>(8.4)</b>          | <b>(1.0)</b>          | <b>(5.5)</b>              |

The notes on pages 16 to 23 are an integral part of these consolidated interim financial statements.

**Consolidated interim statement of changes in equity**  
(unaudited)

|  | Share<br>capital<br>£m | Other<br>reserves<br>£m | Retained<br>earnings<br>£m | Total<br>equity<br>£m |
|--|------------------------|-------------------------|----------------------------|-----------------------|
| <b>Balance at 1 January 2009</b>                 | <b>172.2</b>           | <b>69.9</b>             | <b>(233.5)</b>             | <b>8.6</b>            |
| Other comprehensive income:                      |                        |                         |                            |                       |
| Loss for the period                              | -                      | -                       | (9.9)                      | (9.9)                 |
| Currency translation difference                  | -                      | 0.4                     | -                          | 0.4                   |
| <b>Total comprehensive income for the period</b> | <b>-</b>               | <b>0.4</b>              | <b>(9.9)</b>               | <b>(9.5)</b>          |
| Transactions with owners:                        |                        |                         |                            |                       |
| Employee share option scheme:                    |                        |                         |                            |                       |
| - value of services provided                     | -                      | 0.3                     | -                          | 0.3                   |
| - leavers during period                          | -                      | (0.4)                   | -                          | (0.4)                 |
|  | -                      | (0.1)                   | -                          | (0.1)                 |
| <b>Balance at 30 June 2009</b>                   | <b>172.2</b>           | <b>70.2</b>             | <b>(243.4)</b>             | <b>(1.0)</b>          |
| <b>Balance at 1 July 2009</b>                    | <b>172.2</b>           | <b>70.2</b>             | <b>(243.4)</b>             | <b>(1.0)</b>          |
| Other comprehensive income:                      |                        |                         |                            |                       |
| Loss for the period                              | -                      | -                       | (5.9)                      | (5.9)                 |
| Currency translation difference                  | -                      | 2.1                     | -                          | 2.1                   |
| <b>Total comprehensive income for the period</b> | <b>-</b>               | <b>2.1</b>              | <b>(5.9)</b>               | <b>(3.8)</b>          |
| Transactions with owners:                        |                        |                         |                            |                       |
| Employee share option scheme:                    |                        |                         |                            |                       |
| - value of services provided                     | -                      | 0.1                     | -                          | 0.1                   |
| - leavers during period                          | -                      | (1.0)                   | -                          | (1.0)                 |
| - warrants issued                                | -                      | 0.1                     | -                          | 0.1                   |
| - options exercised                              | 0.1                    | -                       | -                          | 0.1                   |
|  | 0.1                    | (0.8)                   | -                          | (0.7)                 |
| <b>Balance at 31 December 2009</b>               | <b>172.3</b>           | <b>71.5</b>             | <b>(249.3)</b>             | <b>(5.5)</b>          |
| <b>Balance at 1 January 2010</b>                 | <b>172.3</b>           | <b>71.5</b>             | <b>(249.3)</b>             | <b>(5.5)</b>          |
| Other comprehensive income:                      |                        |                         |                            |                       |
| Loss for period                                  | -                      | -                       | (2.9)                      | (2.9)                 |
| Currency translation difference                  | -                      | -                       | -                          | -                     |
| <b>Total comprehensive income for the period</b> | <b>-</b>               | <b>-</b>                | <b>(2.9)</b>               | <b>(2.9)</b>          |
| Transactions with owners:                        |                        |                         |                            |                       |
| Employee share option scheme:                    |                        |                         |                            |                       |
| - value of services provided                     | -                      | 0.1                     | -                          | 0.1                   |
| - options exercised                              | 0.2                    | (0.2)                   | -                          | -                     |
| Purchase of own shares by ESOP                   | (0.1)                  | -                       | -                          | (0.1)                 |
|  | 0.1                    | (0.1)                   | -                          | -                     |
| <b>Balance at 30 June 2010</b>                   | <b>172.4</b>           | <b>71.4</b>             | <b>(252.2)</b>             | <b>(8.4)</b>          |

The notes on pages 16 to 23 are an integral part of these consolidated interim financial statements.

**Consolidated interim statement of cash flows**  
(unaudited)

|  | Note | Six months<br>ended<br>30 June<br>2010<br>£m | Six months<br>ended<br>30 June<br>2009<br>£m | Year<br>ended<br>31 December<br>2009<br>£m |
|--|------|--|--|--|
| <b>Cash flows from operating activities</b>  |      |  |  |  |
| <b>Continuing operations</b>   | 9    | (1.3)  | (8.6)  | (7.2)                                      |
| <b>Discontinued operations</b>   | 9    | -  | -  | (7.8)                                      |
| <b>Cash used in operations</b>   |      | (1.3)  | (8.6)  | (15.0)                                     |
| Continuing operations:   |      |  |  |  |
| Finance income   |      | -  | 0.2  | 0.2  |
| Finance cost   |      | (2.3)  | (2.1)  | (4.2)                                      |
|  |      | (2.3)  | (1.9)  | (4.0)                                      |
| <b>Net cash used in operating activities</b>                                       |      | (3.6)  | (10.5)                                       | (19.0)                                     |
| <b>Cash flows from investing activities</b>  |      |  |  |  |
| Purchases of intangible assets   |      | (0.1)  | (0.8)  | (1.0)                                      |
| Purchases of property, plant and equipment (PPE)                                   | 6    | (0.2)  | (0.1)  | (0.1)                                      |
| Proceeds from sale of PPE and intangibles  | 6    | -  | 0.1  | 1.4  |
| <b>Cash flows (used)/generated in continuing operations - investing activities</b> |      | (0.3)  | (0.8)  | 0.3  |
| <b>Cash flows from financing activities</b>  |      |  |  |  |
| Proceeds from borrowings   |      | 7.9  | 5.0  | 5.0  |
| Borrowings repaid  |      | (0.1)  | -  | (3.4)                                      |
| <b>Net cash generated by financing activities</b>                                  |      | 7.8  | 5.0  | 1.6  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                        |      | <b>3.9</b>                                   | <b>(6.3)</b>                                 | <b>(17.1)</b>                              |
| Cash and cash equivalents at the beginning of the period                           |      | 19.0   | 34.7   | 34.7                                       |
| Exchange losses on cash and cash equivalents                                       |      | 1.0  | (0.3)  | 1.4  |
| <b>Cash and cash equivalents at the end of the period</b>                          |      | <b>23.9</b>                                  | <b>28.1</b>                                  | <b>19.0</b>                                |

The notes on pages 16 to 23 are an integral part of these consolidated interim financial statements.

## Notes to the condensed consolidated financial statements

### 1. General information

ProStrakan Group plc (the “Company”) and its subsidiaries (together the “Group”) are engaged directly and indirectly in the development, registration, manufacture, distribution and sale of pharmaceuticals and other similar products and related services.

The Company is incorporated and domiciled in the United Kingdom, with its registered office at Galabank Business Park, Galashiels, TD1 1QH, Scotland.

The company is listed on the London Stock Exchange.

This condensed consolidated interim financial information was approved by the Board of Directors for issue on 19 August 2010 and is unaudited and not reviewed.

This condensed consolidated financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2009 were approved by the Board of Directors on 18 March 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under section 498 of the Companies Act 2006.

In recognition of the negative net assets position as at 30 June 2010, the Directors are satisfied, after making appropriate enquiries, that the Group has adequate resources to continue in business for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing this interim financial information.

### 2. Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), ‘Business combinations’, and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investments in associates’, and IAS 31, ‘Interests in joint ventures’. There has been no impact of IAS 27 (revised) on the current period, as none of the non-controlling interests have a deficit balance. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

Standards, amendments and interpretations to existing standards effective in 2010 but not relevant for the group.

- IFRIC 17, ‘Distributions of non-cash assets to owners’. This is currently not applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, ‘Transfers of assets from customers’. This is not relevant to the Group, as it has not received any assets from customers.
- ‘Additional exemptions for first-time adopters’ (Amendments to IFRS 1) was issued in July 2009. This is not relevant to the Group, as it is an existing IFRS preparer.
- ‘Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

## **2.1 Basis of preparation**

This condensed consolidated interim financial information for the half year ended 30 June 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. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

## **3. Segment information**

The chief operating decision-maker has been identified as the Board of Directors. The Board reviews the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from a geographic perspective and assesses the performance of UK, EU (excluding the UK), US and Partnering income.

The Board assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Finance income and expenditure are not included in the result for each operating segment that is reviewed by the Board. Other information provided to the Board is measured in a manner consistent with that in the financial statements.

Total assets exclude cash and cash equivalents which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

| Segmental reporting   | Six months ended | Six months ended | Year ended  |
|-----------------------|------------------|------------------|-------------|
|                       | 30 June          | 30 June          | 31 December |
|                       | 2010             | 2009             | 2009        |
|                       | £m               | £m               | £m          |
| <b>Revenue</b>        |                  |                  |             |
| UK                    | 16.9             | 14.3             | 31.7        |
| EU (excluding the UK) | 21.7             | 16.3             | 34.8        |
| Total European        | 38.6             | 30.6             | 66.5        |
| US                    | 4.6              | 3.7              | 7.3         |
| Partnering income     | 2.2              | 2.7              | 5.2         |
|                       | 45.4             | 37.0             | 79.0        |

|   |       |       |       |
|---|-------|-------|-------|
| <b>Adjusted earnings before interest, taxation, depreciation and amortisation</b> |       |       |       |
| UK  | 0.7   | (0.6) | (0.1) |
| EU (excluding the UK)   | 0.9   | (1.0) | (0.5) |
| Total European  | 1.6   | (1.6) | (0.6) |
| US  | (1.1) | (2.8) | (3.4) |
| Partnering income   | 0.7   | 0.1   | (1.1) |
|   | 1.2   | (4.3) | (5.1) |

A reconciliation of total adjusted EBITDA is provided as follows:

|   |              |              |               |
|---|--------------|--------------|---------------|
| Adjusted EBITDA                                   | 1.2          | (4.3)        | (5.1)         |
| Depreciation, amortisation and impairment charges | (2.0)        | (2.4)        | (4.5)         |
| Finance income                                    | -            | 0.2          | 0.2           |
| Finance cost                                      | (2.9)        | (2.7)        | (5.4)         |
| Revaluation of warrants                           | 1.0          | (0.2)        | (0.2)         |
| Discontinued operations                           | -            | (0.2)        | (0.2)         |
| Taxation  | (0.2)        | (0.3)        | (0.6)         |
| <b>Loss for the period</b>                        | <b>(2.9)</b> | <b>(9.9)</b> | <b>(15.8)</b> |

|                       |      |      |      |
|-----------------------|------|------|------|
| <b>Total assets</b>   |      |      |      |
| UK                    | 5.7  | 5.1  | 6.0  |
| EU (excluding the UK) | 21.5 | 23.0 | 23.4 |
| Total European        | 27.2 | 28.1 | 29.4 |
| US                    | 2.5  | 1.2  | 2.0  |
| Partnering income     | 29.0 | 29.5 | 27.7 |
|                       | 58.7 | 58.8 | 59.1 |

Reportable segments' assets are reconciled to total assets as follows

|                                       |             |             |             |
|---------------------------------------|-------------|-------------|-------------|
| Total segment assets                  | 58.7        | 58.8        | 59.1        |
| Cash and cash equivalents             | 23.9        | 28.1        | 19.0        |
| <b>Total assets per balance sheet</b> | <b>82.6</b> | <b>86.9</b> | <b>78.1</b> |

| Segmental reporting                    | Six months ended<br>30 June<br>2010<br>£m | Six months ended<br>30 June<br>2009<br>£m | Year ended<br>31 December<br>2009<br>£m |
|--|---|---|---|
| <b>Capital expenditure</b>             |   |   |   |
| UK                                     | 0.1                                       | 0.1                                       | 0.2                                     |
| EU (excluding the UK)                  | -   | 0.1                                       | 0.1                                     |
| Total European                         | 0.1                                       | 0.2                                       | 0.3                                     |
| US                                     | -   | -   | -                                       |
| Partnering Income                      | 0.2                                       | 0.7                                       | 0.8                                     |
|  | 0.3                                       | 0.9                                       | 1.1                                     |
| <b>Analysis of revenue by category</b> |   |   |   |
| Product sales                          | 44.1                                      | 34.6                                      | 74.4                                    |
| Licensing income                       | 1.2                                       | 2.3                                       | 4.2                                     |
| Royalty income                         | 0.1                                       | 0.1                                       | 0.4                                     |
|  | 45.4                                      | 37.0                                      | 79.0                                    |

#### 4. Income taxes

The taxation tax charge for the six month period ended 30 June 2010 is calculated by applying the estimated Group effective rate of taxation to the profit for the period. The estimated annual Group effective rate of tax for continuing operation is 31% and has been used for the six month period ended 30 June 2010 (six months ended 30 June 2009 and year ended 31 December 2009 29% and 28% respectively).

## 5. Earnings per share

### *Basic*

Basic earnings per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the ESOP, which are treated as cancelled.

|   | Six months<br>ended<br>30 June<br>2010 | Six months<br>ended<br>30 June<br>2009 | Year<br>ended<br>31 December<br>2009 |
|---|--|--|--------------------------------------|
| Loss attributable to equity holders of the Company (£m) | (2.9)                                  | (9.9)                                  | (15.8)                               |
| Basic earnings per share (pence per share)              | (1.4)                                  | (4.9)                                  | (7.8)                                |
| Basic earnings per share from continuing operations     |  |  |                                      |
| Loss attributable to equity holders of the Company (£m) | (2.9)                                  | (9.7)                                  | (15.6)                               |
| Basic earnings per share (pence per share)              | (1.4)                                  | (4.8)                                  | (7.7)                                |
| Basic earnings per share from discontinued operations   |  |  |                                      |
| Loss attributable to equity holders of the Company (£m) | -                                      | (0.2)                                  | (0.2)                                |
| Basic earnings per share (pence per share)              | -                                      | (0.1)                                  | (0.1)                                |
| Weighted average number of ordinary shares in issue     | 201.5                                  | 201.2                                  | 201.3                                |

### *Diluted*

IAS 33 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. For a loss making company with outstanding dilutive potential ordinary shares, net loss per share would only be decreased by the exercise of such potential ordinary shares. Therefore diluted earnings per share is not presented.

## 6. Property plant and equipment

During the six month period, the group acquired Property, plant and equipment costing £0.2m and disposed of plant and equipment with a net book value of £nil.

## 7. Borrowings

On 27 March 2007 the Group entered into a £50m debt facility with the initial advance being provided by funds managed by Fortress Investment Group, Morgan Stanley and funds managed by Och-Ziff Capital Management Group ("Fortress"). The administrative agent is Morgan Stanley Bank International Limited. The debt facility is secured over the intellectual property of the Group.

At the end of December 2009, the net funds drawn amounted to £38.6m. In April, the Group drew down an additional £8.0m and capped the facility, then in June had a minor repayment of £0.1m from the sale of a small Licensing product, leaving the net funds drawn at end June 2010 at £46.5m.

Under the terms of the facility, interest is repayable on a monthly basis, with capital repayments due to commence in December 2010. From that time the Group will repay £1.0m per month until the end of February 2012, at which point the outstanding capital sum will be repayable in full.

a) Debt instrument

The debt instrument and the warrant instrument have been accounted for separately.

The fair value of the debt element for initial recognition was measured at amortised cost. The fair value of the debt at initial recognition, represented the value of the cash received less the fair value of the warrants issued. No additional warrants were issued in relation to any of the further amounts drawn down during 2009 or 2010. The amortised cost of the debt at 30 June was £44.9m (31 Dec 2009: £36.5m).

|                                    | Net<br>funds<br>drawn<br>£m | Cumulative<br>accretion of<br>loan warrants<br>£m | Carrying<br>value of set<br>up costs<br>£m | Total<br>borrowings<br>£m |
|------------------------------------|-----------------------------|---|--|---------------------------|
| <b>Balance at 1 January 2009</b>   | <b>37.0</b>                 | <b>(1.9)</b>                                      | <b>(1.4)</b>                               | <b>33.7</b>               |
| Movements during the period:       |                             |   |  |                           |
| Funds drawn less funds repaid      | 5.0                         | -   | -  | <b>5.0</b>                |
| Accretion of loan warrants         | -                           | 0.4   | -  | <b>0.4</b>                |
| Amortisation of set up costs       | -                           | -   | 0.2  | <b>0.2</b>                |
|                                    | 5.0                         | 0.4   | 0.2  | <b>5.6</b>                |
| <b>Balance at 30 June 2009</b>     | <b>42.0</b>                 | <b>(1.5)</b>                                      | <b>(1.2)</b>                               | <b>39.3</b>               |
| <b>Balance at 1 July 2009</b>      | <b>42.0</b>                 | <b>(1.5)</b>                                      | <b>(1.2)</b>                               | <b>39.3</b>               |
| Movements during the period:       |                             |   |  |                           |
| Funds drawn less funds repaid      | (3.4)                       | -   | -  | <b>(3.4)</b>              |
| Accretion of loan warrants         | -                           | 0.4   | -  | <b>0.4</b>                |
| Amortisation of set up costs       | -                           | -   | 0.2  | <b>0.2</b>                |
|                                    | (3.4)                       | 0.4   | 0.2  | <b>(2.8)</b>              |
| <b>Balance at 31 December 2009</b> | <b>38.6</b>                 | <b>(1.1)</b>                                      | <b>(1.0)</b>                               | <b>36.5</b>               |
| <b>Balance at 1 January 2010</b>   | <b>38.6</b>                 | <b>(1.1)</b>                                      | <b>(1.0)</b>                               | <b>36.5</b>               |
| Movements during the period:       |                             |   |  |                           |
| Funds drawn less funds repaid      | 7.9                         | -   | -  | <b>7.9</b>                |
| Additional draw down costs         | -                           | -   | (0.1)                                      | <b>(0.1)</b>              |
| Accretion of loan warrants         | -                           | 0.4   | -  | <b>0.4</b>                |
| Amortisation of set up costs       | -                           | -   | 0.2  | <b>0.2</b>                |
|                                    | 7.9                         | 0.4   | 0.1  | <b>8.4</b>                |
| <b>Balance at 30 June 2010</b>     | <b>46.5</b>                 | <b>(0.7)</b>                                      | <b>(0.9)</b>                               | <b>44.9</b>               |

b) Warrant liability

The warrant instrument is a derivative financial liability.

The warrants have been accounted for as a current liability as the warrant agreement provides a choice to the lender over how and when the contract is settled.

The fair value of the warrants issued to the lenders on 27 March 2007 of £3.0m, was determined by the use of the Binomial Tree valuation model. The fair value of the warrants as at 30 June was £1.4m resulting in a decrease in value of £1.0m being recognised in the Income Statement (31 Dec 2009: £2.4m).

## 8. Share capital

|                              | Number of<br>shares | Ordinary<br>shares | Share<br>premium | Own<br>shares<br>held | Total |
|------------------------------|---------------------|--------------------|------------------|-----------------------|-------|
|                              | m                   | £m                 | £m               | £m                    | £m    |
| <b>At 1 January 2010</b>     | 201.3               | 10.1               | 162.2            | -                     | 172.3 |
| Own shares issued by ESOP    | 0.4                 | -                  | -                | -                     | -     |
| Own shares purchased by ESOP | (0.2)               | -                  | -                | (0.1)                 | (0.1) |
| Options exercised            | -                   | -                  | 0.2              | -                     | 0.2   |
| <b>At 30 June 2010</b>       | 201.5               | 10.1               | 162.4            | (0.1)                 | 172.4 |

|                                 | Ordinary<br>Shares of<br>£0.05<br>m | Total<br>m |
|---------------------------------|-------------------------------------|------------|
| Authorised <sup>1</sup>         |                                     |            |
| <b>At 30 June 2010</b>          | 400.0                               | 400.0      |
| <b>In issue at 30 June 2010</b> | 202.3                               | 202.3      |
| Own shares held by ESOP         | (0.8)                               | (0.8)      |
| <b>In issue at 30 June 2010</b> | 201.5                               | 201.5      |

<sup>1</sup> The ordinary shares have a par value of 5 pence each.

All issued shares are fully paid.

The number of options that have lapsed and expired at the end of June 2010 amounted to 0.7m.

## 9. Cash generated from operations

|   | Six months<br>ended<br>30 June<br>2010<br>£m | Six months<br>ended<br>30 June<br>2009<br>£m | Year<br>ended<br>31 December<br>2009<br>£m |
|---|--|--|--|
| <b>Continuing operations</b>  |  |  |  |
| Loss for the period   | (2.9)  | (9.7)  | (15.6)                                     |
| Adjustments for:  |  |  |  |
| - tax   | 0.2  | 0.3  | 0.6  |
| - depreciation  | 0.2  | 0.1  | 0.3  |
| - amortisation (including write-down of product rights)   | 1.8  | 2.3  | 4.2  |
| - profit on sale of property, plant and equipment (see below)   | -  | -  | (1.0)                                      |
| - net movement in provision for liabilities and charges   | 0.2  | 0.2  | (0.2)                                      |
| - charges for share-based employee benefits   | 0.1  | (0.1)  | (0.9)                                      |
| - finance income  | -  | (0.2)  | (0.2)                                      |
| - finance cost  | 2.9  | 2.7  | 5.4  |
| - movement in fair value of warrants  | (1.0)  | 0.2  | 0.2  |
| changes in working capital (excluding the effects of acquisition and exchange difference on consolidation): |  |  |  |
| - inventories   | (2.4)  | (0.4)  | 0.9  |
| - trade and other receivables   | (0.3)  | 2.7  | (0.5)                                      |
| - trade and other payables  | 0.2  | (6.7)  | (7.2)                                      |
| - deferred income   | (0.3)  | -  | 6.8  |
| Cash utilised from continuing operations  | (1.3)  | (8.6)  | (7.2)                                      |
| In the cash flow statement, proceeds from sale of property, plant and equipment comprise:                   |  |  |  |
| Net book amount   | -  | -  | 0.4  |
| Profit on sale of property, plant and equipment   | -  | -  | 1.0  |
| Proceeds from sale of property, plant and equipment   | -  | -  | 1.4  |
| <b>Discontinued operations</b>  |  |  |  |
| Loss for the period   | -  | (0.2)  | (0.2)                                      |
| changes in working capital (excluding the effects of acquisition and exchange difference on consolidation): |  |  |  |
| - net movement in provisions for liabilities and charges  | -  | 0.2  | 0.2  |
| - trade and other payables  | -  | -  | (7.8)                                      |
| Cash utilised from discontinued operations  | -  | -  | (7.8)                                      |

## Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated 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 of the financial year and any material changes in the related party transactions described in the last Annual Report.

The directors of ProStrakan Group plc are listed in the ProStrakan Group plc Annual Report for December 2009. A list of current directors is maintained on the ProStrakan Group plc website: [www.prostrakan.com](http://www.prostrakan.com)

By order of the Board:

Peter Allen  
Chairman  
ProStrakan Group plc

19 August 2010