

Press Release

ProStrakan Group plc

Preliminary Results for the Year Ended 31 December 2009

Galashiels, UK, 18 March 2010: ProStrakan Group plc (LSE: PSK), the international specialty pharmaceutical company, today announces its Preliminary Results for the year ended 31 December 2009.

FINANCIAL HIGHLIGHTS

- Accelerated total revenue growth – up 41% to £79.0m (2008: £56.1m)
 - Product sales demonstrate strong growth
 - Increased contribution from partnering income
 - Total revenue growth of 34% at constant currency (2008: 15%)
- Gross margins increase from 64% to 67%
- EBITDA loss narrows to £5.1m (2008: £16.0m)
- Operating losses reduced by more than 50% to £9.6m (2008: £21.1m)
- Pre-tax loss reduces to £15.0m (2008: £25.2m)
- Closing cash position of £19.0m (2008: £34.7m)

OPERATING HIGHLIGHTS

- European business continues to drive ProStrakan's growth
 - EU revenues up 25% to £66.5m
 - Abstral launch-year sales of £5.8m
 - Revenues from other pan EU products up 29%
 - Adcal-D3 sales up 18% to £20.4m
- US business growing in first full year of commercial operations
 - Sancuso records 2009 revenues of £7.3m
 - Abstral NDA filed
 - Rectogesic NDA re-submitted
 - Fortesta out-licensed to Endo – NDA re-submission planned in mid 2010
- Worldwide partnering programme makes significant contribution
 - Revenues from partnering up 93% to £5.2m
 - Nine partnering agreements concluded during 2009

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

“ProStrakan is now established as a broad-based, international specialty pharmaceuticals business with a strong European operation and a developing US business promoting a portfolio of patient-friendly products.

“With two products in registration in the US and one further US refiling scheduled for the mid year, we remain firmly focused on growing the business profitably.”

Notes to editors

There will be a presentation and conference call for investment analysts today (Thursday, 18 March) at 8.30am. Contact Val Mugridge on 020 7396 5325 for details.

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INTRODUCTION

In 2009, ProStrakan made further significant progress in successfully pursuing the three strands of its growth strategy built around an established European sales and marketing operation; a developing US sales and marketing business; and a focused worldwide partnering programme. During the period, we initiated four product country launches, made three product filings in the US and concluded nine partnering agreements.

Total revenues for 2009 increased by 41% to £79.0m (2008: £56.1m) as a result of growth in EU revenues - including the launch of Abstral in several countries; the roll-out of Sancuso in the US; and increased revenues from partnering. Product sales grew by 38% to £74.4m (2008: £53.8m), including a first year's sales of Abstral of £5.8m and growth in our other pan-European products of 29% to £17.8m in 2009 (2008: £13.8m). We grew sales of Adcal-D3, our UK market-leading product, by 18% in 2009 to £20.4m (2008: £17.3m). Foreign exchange rates helped boost reported revenues due to the relative weakness of sterling and overall revenue growth at constant currency was 34%.

Consequently, at the EBITDA level, the Group's loss narrowed to £5.1m in 2009 from £16.0m in 2008. The 2008 loss included exceptional items of £1.7m. The Group's pre-tax loss fell to £15.0m in 2009 from a loss of £25.2m in 2008. The 2008 pre-tax loss included £3.9m of exceptional items.

EUROPE

ProStrakan has a broad-based marketing and distribution capability in Europe, where we market our products through our own sales force. The Group has major business units in the UK, Germany, France and Spain and in 2009 ProStrakan opened its office in Italy. The Company also has smaller operations in Belgium, Holland and Luxembourg, a distribution agreement in Greece and a joint venture in Sweden covering the Nordic region.

In each of these markets, our strategy is to distribute a range of pan-European products as well as promoting country specific products. During the course of 2009, we expanded our European sales force by 40 as we established oncology sales teams in the UK, Germany, France and Spain to promote Abstral, and we launched our own sales operation in Italy.

Total European revenues grew by 25% in 2009 to £66.5m (2008: £53.2m). Excluding the impact of foreign currency fluctuations, revenue growth in Europe was 17%.

Pan-European Products

Abstral is a new, sub-lingual (under the tongue) formulation of fentanyl, a long-established opioid used for the management of episodes of severe breakthrough pain experienced by cancer patients who are already receiving opioid analgesics for their chronic pain. In June 2008, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion recommending approval of Abstral across the European Union.

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.

Abstral has significantly outperformed our initial expectations, achieving sales of £5.8m in its launch year. Germany and the UK have performed well, but sales growth in these countries was eclipsed by the performance in France, and a similar launch trajectory was achieved in Spain when it came on stream. The Italian launch of Abstral is planned for 2010.

Rectogesic is indicated for the relief of pain associated with chronic anal fissures. This product is now available in all major EU territories and has also displayed strong growth. Revenues grew by 27% to £8.1m in 2009 (2008: £6.4m).

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 27% to £7.5m in 2009 (2008: £5.9m).

Tostran is a transdermal testosterone gel that utilises a proprietary metered dose delivery system for testosterone replacement therapy in male hypogonadism. Tostran has now been rolled out across Europe and, in 2009, achieved sales growth of 40% to £2.1m (2008: £1.5m).

Principal Country-Specific Products

Adcal-D3 – UK. This product is a branded calcium and vitamin D3 oral supplement, used as an adjunct to specific therapy for the treatment of osteoporosis and is the UK market leader with a 42.9% cash market share – its highest ever (IMS: December 2009). Adcal-D3 continues to grow sales and it remains ProStrakan's best-selling medicine. Total brand revenues for Adcal-D3 grew by a further 18% in 2009 to £20.4m (2008: £17.3m).

Isotard XL – UK. This product is a once-daily prophylactic treatment for angina, which is marketed only in the UK. 2009 sales for Isotard XL were £4.6m (2008: £5.1m).

Pencial – Spain. This product is indicated in the treatment of advanced prostate cancer in combination with LHRH analogue therapy or surgical castration. Pencial achieved sales growth of 20% in 2009 to £5.9m (2008: £4.9m).

Tebetane – Spain. Indicated for the treatment of mild benign prostatic hyperplasia, Tebetane is marketed in Spain where sales grew by 17% to £3.4m in 2009 (2008: £2.9m).

Insuplant – France. Indicated for diabetes requiring treatment with insulin and when the use of an implantable pump is indicated, sales of Insuplant, which is marketed by ProStrakan only in France, increased by 9% to £2.5m in 2009 (2008: £2.3m).

UNITED STATES

ProStrakan opened its US commercial operations in late 2007 ahead of the launch of our first US product, Sancuso. Sancuso received a marketing authorisation from the US Food and Drug Administration (FDA) in September 2008 and was launched in the US in November 2008. Headquartered in Bedminster, New Jersey, ProStrakan's US sales & marketing operation currently accesses the US market through a contract sales force focused around major metropolitan areas across the US.

During 2009 we established distribution capabilities with major wholesalers in the US market. We also strengthened the management of our US operation, re-organised its head office function and re-focused the sales team in partnership with our US contract sales force provider, NovaQuest. As part of this process, we took the senior sales management onto the ProStrakan headcount and brought forward to Q4 2010 the integration of the sales force as a whole, which now stands at 50 representatives and five District Sales Managers

In 2009, our first full year of commercial activity in the US, revenues were £7.3m (2008: £0.2m)

US Products

Sancuso is a transdermal patch that delivers granisetron, an established 5-HT₃ 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 2009 totalled £7.3m. This product made an encouraging debut and, after a summer sales hiatus and the introduction of a number of new initiatives, saw further growth in the latter weeks of 2009. These initiatives, designed to invigorate growth, included the instigation of a co-pay patient assistance programme and the selected use of specialty pharmacies to assist in dispensing the product. In addition, we focused on broadening the coverage provided by private managed care organisations as well as extending links with government organisations, such as Medicare, and veterans' associations.

Following an inevitable lull over the Christmas and New Year period, sales recovered to previous levels and in recent weeks have achieved a record high in terms of ex-wholesaler weekly deliveries. Dollar sales in the first two months of 2010 show 65% growth over the same period last year. The sales team remains focused on maximising the potential of Sancuso in the US and we are confident that this product has an important role to play in assisting in the treatment of many patients suffering from CINV.

As detailed in the Product Development section of this release, ProStrakan has two further products (Abstral and Rectogesic) in registration in the US and one further product (Tostran / Fortesta) which our partner, Endo Pharmaceuticals Inc. (Endo), plans to re-file for approval with the FDA in mid 2010.

BUSINESS PARTNERING

The third strand of ProStrakan's revenue generation strategy is focused on capitalising on our high value medicines in non-core territories through out-licensing arrangements with high quality partners with strong distribution capabilities in relevant markets.

ProStrakan has a small team dedicated to initiating and managing these relationships. In 2009, we announced a number of out-licensing arrangements including the following:

- Sancuso – out-licensed to Invida Group in South East Asia (Jan 09)
- Rectogesic – out-licensed to PharmaSwiss SA in Central & Eastern Europe (Aug 09)
- Tostran – out-licensed to BayerSchering Pharma in Central & Eastern Europe (Aug 09)
- Fortesta (Tostran in Europe) – out-licensed to Endo in the US (Aug 09)

Additionally, Sancuso has now been approved by the regulatory authority in South Korea, where we have outlicensed this product to LG Life Sciences. LG plan to launch Sancuso in South Korea in H2 2010.

Total revenues from partnering increased by 93% in 2009 to £5.2m (2008: £2.7m). A major contributor to this growth was the receipt of milestone payments from Gedeon Richter, our partner for Abstral in Central & Eastern Europe, where they intend to launch this product in H1 2010.

PRODUCT DEVELOPMENT

ProStrakan in-licensed the North American rights for **Abstral** in August 2008 from Orexo AB. ProStrakan submitted the New Drug Application (“NDA”) for Abstral to the FDA in August 2009. This has been accepted by the FDA which assigned Abstral a standard 10 month review period. If approved, we plan to launch Abstral, through our US oncology sales force, in H2 2010.

As previously announced in February, our partner for Abstral in Canada, Paladin Labs Inc., has now filed Abstral for approval in Canada. Health Canada has granted it priority status and the review of this application is expected to take 180 days.

Fortesta (branded as Tostran in Europe) was outlicensed in the US to Endo in August 2009. 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 work is in the process of being completed and Endo plans to re-file Fortesta with the FDA by mid 2010.

We filed the response to the previously received FDA Approvable letter for **Rectogesic** in September 2009. The FDA has accepted the filing as a Class 2 response and assigned a six month review period. Subject to approval, the launch of Rectogesic in the US is planned for later in 2010.

OUTLOOK

ProStrakan's strategy of building a diversified business, based on a portfolio of products across a number of geographies, means that the business is well-positioned for further growth. Without over-reliance on any single product, we are firmly focused on growing the business profitably. With two US approvals pending in the first half of 2010 and a further re-filing planned for the mid year, together with a fast-growing, cash-generative European business and an increasingly valuable range of international partnerships, we are well-equipped to sustain this track record for growth as the Company moves forward.

FINANCIAL REVIEW

Revenue

Revenues grew strongly from £56.1m to £79.0m, an increase of 41% over the prior year. The majority of revenues arise from the sale of products (2009: 94%, 2008: 96%) with the balance coming from licensing and royalty income. Foreign exchange played a part in the overall growth, with £4.0m of revenue growth arising from a weaker sterling. Excluding this translation impact, revenue growth at like for like exchange rates was 34%.

Key drivers of overall growth came from three main areas:

- Our European operations continued to grow rapidly and generated £66.5m (2008: £53.2m) of revenue, an increase of 25% versus the prior year. UK, France and Spain contributed the majority of the growth. Excluding the influence of foreign exchange movements, revenue growth in Europe was 17%.
- Our US operation delivered its first full year of sales and contributed £7.3m of revenue. This compares to modest sales in 2008 (£0.2m) of Sancuso, our first US brand, which was launched towards the end of 2008.
- Partnering income showed significant growth and generated £5.2m of revenue (2008: £2.7m) an increase of 93%. Much of this growth came from milestone payments associated with the out-licensing of Abstral in Central and Eastern Europe.

Gross profit

Gross profit increased to £52.6m (2008: £36.1m), an increase of 46% over the prior year. Gross margins improved from 64% to 67%. Much of this improvement was due to product mix, with the contribution from recently-launched products helping to boost margins.

Operating costs

Operating costs increased by 16% to £58.8m (2008: £50.5m). This increase included a 28% increase in distribution costs. Distribution costs comprise the selling, marketing and distribution costs of the Group's commercial teams and increases here, reflect the further expansion of our European infrastructure, launch costs for Abstral, the first full year of our US commercial operations, and the

impact of foreign exchange which increased the sterling equivalent cost of our overseas operations versus prior year. Administration costs reduced by 17% to £7.6m (2008: £9.2m) reflecting tight cost control in our support and administration costs and a credit in respect of share-based payments. Development costs increased by 13% to £12.0m (2008: £10.6m) and included investments associated with Sancuso and Abstral.

Other gains/losses

Other gains were £1.1m and included a gain of £1.0m from the sale of three non-core products in Europe whilst in 2008 the Group incurred £1.6m of other losses which included a £1.7m charge related to the sale of the Group's Discovery unit in 2006.

EBITDA and Operating Losses

EBITDA losses reduced significantly versus the prior year as the business grew its revenues, while both improving gross margins and reducing the ratio of overheads to sales. During the year the business saw several EBITDA positive months. EBITDA for the full year was a loss of £5.1m versus a loss of £16.0m in the prior year. Prior year losses included an exceptional item of £1.7m as discussed above.

Depreciation, amortisation and impairment costs decreased by 12% to £4.5m (2008: £5.1m). During 2009, the Group commenced the amortisation of Abstral following its commercial launch throughout Europe. During 2008, the Group incurred a £2.2m charge in respect of the impairment of the Times II Phase IV Tostran study which was treated as an exceptional item.

Operating losses narrowed to £9.6m versus a loss in 2008 of £21.1m. Prior year losses included exceptional items of £3.9m as discussed above. The business is committed to moving towards operating profit and this reduction in losses reaffirms our progress towards that goal.

Net Finance Costs and Taxation

Net finance costs including changes in fair value of warrants increased to £5.4m (2008: £4.1m). This was due to a combination of lower interest being received on bank deposits, increased borrowing levels and a £0.2m charge (2008: £0.8m charge) in respect of changes to the fair value of warrants issued to the lenders in March 2007.

Taxation charges for the year were £0.6m versus a credit of £2.5m in 2008. In 2008 the Group recognised deferred tax assets amounting to £2.4m in respect of two subsidiary companies. Tax charges for 2009 represent deferred tax movements of £0.5m and £0.1m of corporate taxes payable. The Group has significant carried forward losses to offset against future operating profits.

Recognised loss for the financial year

The loss from continuing operations was £15.6m (2008: £22.7m) with prior year losses including exceptional items of £3.9m as discussed above. The prior year also included an exceptional loss from discontinued operations of £2.4m from impairment associated with the sale of the Group's Discovery

unit in 2006. Recognised losses for the financial year were £15.8m (2008: £25.1m) with prior year losses including exceptional items of £6.3m as discussed above.

Loan Facility

The Group continued its borrowing relationship with Fortress Investment Group, Morgan Stanley and Och-Ziff Capital Management Group. At the half-year the Group had drawn down £42.0m of the £50.0m facility. Following the out-licensing of Fortesta product rights to Endo Pharmaceuticals Inc, the Group repaid £2.9m of capital and agreed with its lenders that it would make no further draw downs from this facility. A further £0.5m of capital was repaid following the sale of three non-core products in Europe such that the current balance drawn down is £38.6m. Discussions are currently under way to access the remaining £8.0m of the facility to assist in the funding of further growth in the business. 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 will be repaid in full.

Cash Flow

Cash flow from continuing operations was an outflow of £7.2m versus an outflow of £7.1m during 2008. During the year the Group agreed to make a payment of £7.8m in full and final settlement with Aventis against a tax liability incurred by Aventis arising from the sale of Proskelia SAS by ProStrakan in December 2006 and this has been classified as cash flow from discontinued operations.

During the first half of 2009 the Group drew down £5.0m in capital from its debt providers. During the second half of 2009, the Group received £7.3m of proceeds from certain out-licensing agreements and disposals and subsequently repaid £3.4m of capital to its debt providers per the terms of the lending agreement.

The items discussed above resulted in a net decrease in cash and cash equivalents during the year of £17.1m (2008: £10.2m increase) which when combined with the impact of exchange losses, produced a closing cash balance of £19.0m (2008: £34.7m).

Balance Sheet

The Group's non-current assets at 31 December 2009 were £40.2m (2008: £46.6m). This total included intangible assets of £36.7m (2008: £41.7m) which comprised acquired product rights: £26.5m (2008: £30.6m), goodwill £10.0m (2008: £10.9m) and other intangibles £0.2m (2008: £0.2m). Net current assets have reduced slightly with the majority of this being due to reduced trade and other payables. Total borrowings increased to £36.5m (2008: £33.7m) and include funds drawn-down from lenders, less the value of cumulative accretion of loan warrants and the carrying value of facility set up costs. The total equity position as at 31 December 2009 was negative £5.5m compared to a positive balance of £8.6m at 31 December 2008. This move into negative net assets resulted from trading losses during the period.

Consolidated income statement (audited)

for the year ended 31 December 2009

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m	Exceptional items £m	Year ended 31 December 2008 £m
Revenue	79.0	56.1	-	56.1
Cost of goods sold	(26.4)	(20.0)	-	(20.0)
Gross profit	52.6	36.1	-	36.1
Distribution costs	(39.2)	(30.7)	-	(30.7)
Administrative expenses	(7.6)	(9.2)	-	(9.2)
Development	(12.0)	(10.6)	-	(10.6)
Other gains/(losses) – net	1.1	0.1	(1.7)	(1.6)
Earnings before interest, taxation, depreciation and amortisation	(5.1)	(14.3)	(1.7)	(16.0)
Depreciation, amortisation and impairment charges	(4.5)	(2.9)	(2.2)	(5.1)
Operating loss	(9.6)	(17.2)	(3.9)	(21.1)
Finance income	0.2	1.1	-	1.1
Finance costs	(5.4)	(4.4)	-	(4.4)
Movement in fair value of warrants	(0.2)	(0.8)	-	(0.8)
Loss before income tax	(15.0)	(21.3)	(3.9)	(25.2)
Taxation	(0.6)	2.5	-	2.5
Loss for the year from continuing operations	(15.6)	(18.8)	(3.9)	(22.7)
Discontinued operations	(0.2)	-	(2.4)	(2.4)
Loss for the year	(15.8)	(18.8)	(6.3)	(25.1)

Earnings per share for loss attributable to the equity holders of the Company during the year

Basic and diluted earnings per share (expressed in pence per share)

From continuing operations	(7.7)	(11.3)
From discontinued operations	(0.1)	(1.2)
	(7.8)	(12.5)

Consolidated statement of comprehensive income (audited)

for the year ended 31 December 2009

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m	Exceptional items £m	Year ended 31 December 2008 £m
Loss for the year	(15.8)	(18.8)	(6.3)	(25.1)
Fair value gains on available-for-sale assets net of tax	-	(0.9)	-	(0.9)
Currency translation differences	2.5	(1.8)	-	(1.8)
Total comprehensive income for the period, net of tax	(13.3)	(21.5)	(6.3)	(27.8)

Balance sheet (audited)

as at 31 December 2009

	31 December 2009 £m	31 December 2008 £m
Assets		
Non-current assets		
Investment in subsidiaries	-	-
Intangible assets	36.7	41.7
Property, plant and equipment	1.2	1.4
Deferred tax assets	2.3	2.4
Research and development tax credits available	-	1.1
	40.2	46.6
Current assets		
Inventories	6.1	7.0
Trade and other receivables	12.8	11.0
Income tax receivable	-	0.5
Research and development tax credits receivable	-	0.1
Cash and cash equivalents	19.0	34.7
	37.9	53.3
Liabilities		
Current liabilities		
Trade and other payables	23.7	38.7
Provision for other liabilities and charges	0.4	0.6
Borrowings	1.0	-
Warrant liability	2.4	2.2
	27.5	41.5
Net current assets	10.4	11.8
Non-current liabilities		
Other non-current liabilities	20.6	16.1
Borrowings	35.5	33.7
	56.1	49.8
Net (liabilities)/assets	(5.5)	8.6
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	172.3	172.2
Other reserves	71.5	69.9
Retained earnings	(249.3)	(233.5)
Total equity	(5.5)	8.6

Consolidated statement of changes in equity (audited)

for the year ended 31 December 2009

	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2008	172.2	72.0	(208.4)	35.8
Other comprehensive income:				
Loss for the year	-	-	(25.1)	(25.1)
Fair value gains, net of tax:				
- available-for-sale financial assets	-	(0.9)	-	(0.9)
Currency translation difference	-	(1.8)	-	(1.8)
Total comprehensive income for the year	-	(2.7)	(25.1)	(27.8)
Transactions with owners:				
Employee share option scheme:				
- value of services provided	-	0.3	-	0.3
- warrants issued	-	0.3	-	0.3
	-	0.6	-	0.6
Balance at 31 December 2008	172.2	69.9	(233.5)	8.6
Balance at 1 January 2009	172.2	69.9	(233.5)	8.6
Other comprehensive income:				
Loss for the year	-	-	(15.8)	(15.8)
Currency translation difference	-	2.5	-	2.5
Total comprehensive income for the year	-	2.5	(15.8)	(13.3)
Transactions with owners:				
Employee share option scheme:				
- value of services provided	-	0.4	-	0.4
- leavers during year	-	(1.4)	-	(1.4)
- warrants issued	-	0.1	-	0.1
- options exercised	0.1	-	-	0.1
	0.1	(0.9)	-	(0.8)
Balance at 31 December 2009	172.3	71.5	(249.3)	(5.5)

Statement of cash flows (audited)

for the year ended 31 December 2009

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Cash flows from operating activities		
Continuing operations	(7.2)	(7.1)
Discontinued operations	(7.8)	-
Cash used in operations	(15.0)	(7.1)
Continuing operations:		
Finance income	0.2	1.1
Finance cost	(4.2)	(3.2)
	(4.0)	(2.1)
Net cash used in operating activities	(19.0)	(9.2)
Cash flows from investing activities		
Purchase of intangible assets	(1.0)	(2.0)
Purchases of property, plant and equipment	(0.1)	(0.3)
Proceeds from sale of intangibles	1.4	0.1
Proceeds from disposal of available-for-sale financial assets	-	4.6
Cash flows generated in continuing operations – investing activities	0.3	2.4
Cash flows from financing activities		
Proceeds from borrowings	5.0	17.0
Borrowings repaid	(3.4)	-
Net cash generated by financing activities	1.6	17.0
Net (decrease)/increase in cash and bank overdrafts	(17.1)	10.2
Cash and cash equivalents at the beginning of the year	34.7	24.5
Exchange losses on cash and bank overdrafts	1.4	-
Cash and cash equivalents at the end of the year	19.0	34.7

1. Notes

a. Basis of preparation

The financial statements have been prepared in accordance with the Group's accounting policies which are based on International Financial Reporting Standards ("IFRS") and IFRIC interpretations endorsed by the European Union ("EU") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest million (£'000,000), except when otherwise indicated.

The financial information for the years ended 31 December 2009 and 2008 set out above does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006 ("the Act"). Statutory accounts for the year ended 31 December 2008 have been delivered to the Registrar of Companies, and the accounts for the year ended 31 December 2009 will be delivered to the Registrar of Companies following the Annual General Meeting. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include any reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

The Annual Report and Accounts for the year ended 31 December 2009 will be posted to shareholders in advance of the Annual General Meeting which is due to be held on 19 May 2010. The results for 2009 were approved by the Board of directors on 18 March 2010 and are audited.

Interim and preliminary announcements notified to the London Stock Exchange are available on the internet at www.prostrakan.com.

b. Going concern

As part of the year end accounts exercise, the Directors are required to satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare financial statements on a going concern basis. The Directors of the Group have reviewed various aspects of the business including budget plans covering the periods for at least twelve months from the date of approval of the accounts, taking account of reasonably possible changes in trading performance, the current and forecast debt position, related covenants, other sources of capital and various external factors. Notwithstanding the Group's negative net asset position as at 31 December 2009, the Directors are satisfied after making these 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 full year financial information.

c. Format and exceptional items

The format of the consolidated statement presented in this preliminary announcement differs from that used in the Group's consolidated financial statements for the year ended 31 December 2008. As part of the statements for the year ended 31 December 2008, exceptional items were presented in separate columns in order to present information in a format that was more relevant to users of the

financial statements. The results for the year ended 31 December 2009 do not include exceptional items but the columnar approach is retained for the 2008 comparative information.

2. Segmental 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.

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Revenue		
UK	31.7	27.2
EU (excluding the UK)	34.8	26.0
Total European	66.5	53.2
US	7.3	0.2
Partnering income	5.2	2.7
	79.0	56.1
Adjusted earnings before interest, taxation, depreciation and amortisation		
UK	(0.1)	(1.6)
EU (Excluding the UK)	(0.5)	(6.6)
Total European	(0.6)	(8.2)
US	(3.4)	(4.0)
Partnering income	(1.1)	(3.8)
	(5.1)	(16.0)

A reconciliation of total adjusted EBITDA is provided as follows:

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Adjusted EBITDA	(5.1)	(16.0)
Depreciation, amortisation and impairment charges	(4.5)	(5.1)
Finance income	0.2	1.1
Finance cost	(5.4)	(4.4)
Revaluation of warrants	(0.2)	(0.8)
Discontinued operations	(0.2)	(2.4)
Taxation	(0.6)	2.5
Loss for the year	(15.8)	(25.1)

Total Assets:

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
UK	6.0	5.3
EU (excluding UK)	23.4	27.8
Total EU	29.4	33.1
US	2.0	1.1
Partnering income	27.7	31.0
	59.1	65.2

Reportable segments' assets are reconciled to total assets as follows:

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Total segment assets	59.1	65.2
Cash and cash equivalents	19.0	34.7
Total assets per balance sheet	78.1	99.9

Capital expenditure:

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
UK	0.2	0.1
EU (excluding the UK)	0.1	0.3
Total EU	0.3	0.4
US	-	-
Partnering income	0.8	3.6
	1.1	4.0

Analysis of revenue by category:

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Product sales ¹	74.4	53.8
Licensing income	4.2	2.0
Royalty income	0.4	0.3
	79.0	56.1

¹ Product sales represents 94% of total revenues (2008: 96%)

3. Discontinued operations

On 2 July 2009 ProStrakan reported it had agreed to make a payment in cash of £7.8m (€9.15m) in full and final settlement with Aventis against a €13.4m tax liability, incurred by Aventis, arising from the sale of ProSkelia SAS ("ProSkelia") by ProStrakan in December 2006. This settlement resulted in an additional charge of £0.2m against amounts already provided, which has been included under discontinued operations.

In 2008, following the sale of the Groups' Discovery unit to Galapagos in December 2006, the Group recognised future milestone payments amounting to £2.4m (€3.1m) within receivables. This receivable balance was fully impaired during 2008, as the Directors considered this future milestone income would not materialise. The impairment was classified within discontinued operations, as the original recognition of the future milestone payments was included in the overall loss on disposal of the Discovery unit.

	2009 £m	2008 £m
Other losses	(0.2)	(2.4)
Loss for the year from discontinued operations	(0.2)	(2.4)

4. Exceptional items

The format of the consolidated income statement presented in these financial statements differs from that used in the Group's consolidated financial statements for the year ended 31 December 2008. As part of the statements for the year ended 31 December 2008, exceptional items were presented in a separate column in order to present information in a format that was more relevant to users of the financial statements. For the year ended 31 December 2009 there were no exceptional items but the columnar approach is retained for the 2008 comparative information. Included in the loss for the year are exceptional costs amounting to £nil (2008: £6.3m).

The 2008 exceptional costs consisted of:

- £2.4m relating to discontinued operations.
- Exceptional other losses amounted to £1.7m relating to the disposal of available-for-sale financial assets (Galapagos shares).
- Exceptional impairment of product rights amounted to £2.2m. This represented the impairment of the Times II Phase IV Tostran Study, which considers the effects of testosterone replacement therapy on insulin resistance in hypogonadal males with Type 2 Diabetes or Metabolic Syndrome. Following completion of the project, the Directors have taken the view that although this study was positive, it has not added the value in Europe to the extent previously attributed to it.

5. Other gains/(losses)

	2009 £m	2008 £m
Other financial assets at fair value through profit or loss		
- income from grants	0.1	0.1
- profit on disposal of product rights ¹	1.0	-
- loss on disposal of available-for-sale financial assets	-	(1.7)
	1.1	(1.6)

¹The profit on disposal of product rights arose from the sale of three non core products from the Group's German subsidiary.

6. Finance income and costs

	2009 £m	2008 £m
Finance income		
Interest receivable on short-term deposits	0.2	1.1
Interest payable on bank borrowings	(4.2)	(3.3)
Accretion of warrants on debt facility	(0.8)	(0.7)
Amortisation of set-up costs on debt facility	(0.4)	(0.4)
Finance cost	(5.4)	(4.4)
	(5.2)	(3.3)

7. Taxation

	2009 £m	2008 £m
Current tax:		
Income tax charge/(credit)	0.1	(0.1)
Deferred tax:		
Recognition of previously unrecognised deferred tax	-	(2.4)
Deferred tax charge	0.5	-
Tax charge/(credit) in income statement	0.6	(2.5)

The tax on the Group's losses before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK. The differences are explained below.

	2009 £m	2008 £m
Loss before tax – continuing activities	(15.0)	(25.2)
Loss before tax – discontinued activities	(0.2)	(2.4)
Total	(15.2)	(27.6)
Tax calculated at rate of corporation tax in the UK of 28% (2008: 28%)	(4.3)	(7.7)
Expenses not deductible for tax purposes	0.9	0.5
Gains not subject to tax	-	(0.8)
Changes in unrecognised deferred tax asset	4.0	7.8
Adjustment in respect of prior year	-	0.1
Deferred tax asset released	-	(2.4)
Tax charge/(credit) in income statement	0.6	(2.5)

8. 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.

	As at 31 December 2009	As at 31 December 2008
Loss attributable to equity holders of the Company (£m)	(15.8)	(25.1)
Basic earnings per share (pence per share)	(7.8)	(12.5)
Basic earnings per share from continuing operations		
Loss attributable to equity holders of the Company (£m)	(15.6)	(22.7)
Basic earnings per share (pence per share)	(7.7)	(11.3)
Basic earnings per share from discontinued operations		
Loss attributable to equity holders of the Company (£m)	(0.2)	(2.4)
Basic earnings per share (pence per share)	(0.1)	(1.2)
Weighted average number of ordinary shares	201.3	201.2

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.

9. Intangible assets

Group	Goodwill £m	Product rights £m	Other ¹ £m	Total £m
At January 2009				
Cost	10.9	51.6	0.9	63.4
Accumulated amortisation	-	(21.0)	(0.7)	(21.7)
Net book value	10.9	30.6	0.2	41.7
Year ended 31 December 2009				
Opening net book amount	10.9	30.6	0.2	41.7
Additions	-	0.9	0.1	1.0
Disposal	-	(0.4)	-	(0.4)
Amortisation charge	-	(3.8)	(0.1)	(3.9)
Impairment	-	(0.3)	-	(0.3)
Exchange differences	(0.9)	(0.5)	-	(1.4)
Closing net book value	10.0	26.5	0.2	36.7
At 31 December 2009				
Cost	10.0	51.1	1.0	62.1
Accumulated amortisation	-	(24.6)	(0.8)	(25.4)
Net book value	10.0	26.5	0.2	36.7
At January 2008				
Cost	8.3	44.6	0.7	53.6
Accumulated amortisation	-	(14.6)	(0.6)	(15.2)
Net book value	8.3	30.0	0.1	38.4
Year ended 31 December 2008				
Opening net book amount	8.3	30.0	0.1	38.4
Additions	-	3.6	0.1	3.7
Amortisation	-	(2.5)	-	(2.5)
Impairment	-	(2.3)	-	(2.3)
Exchange differences	2.6	1.8	-	4.4
Closing net book value	10.9	30.6	0.2	41.7
At 31 December 2008				
Cost	10.9	51.6	0.9	63.4
Accumulated amortisation	-	(21.0)	(0.7)	(21.7)
Net book value	10.9	30.6	0.2	41.7

¹ Other intangibles include software and other costs.

Impairment tests for goodwill

Goodwill arising from previous acquisitions is tested annually for impairment under IAS 36. No Goodwill impairment charges were required during the year. Goodwill is allocated to the Group's cash-generating units (CGUs) identified as follows:

- (a) Development is treated as a separate CGU.
- (b) Each commercial territory under the control and guidance of a General Manager is a CGU.

The goodwill arising from the acquisitions of Elfar SA and Arzneimittel Pharma GmbH was allocated to Spain and Germany Commercial respectively. The rationale for this is that the CGUs benefiting fundamentally from these acquisitions are these identifiable Groups and these CGUs are not larger than the Group's reported segments. The carrying amount of goodwill by division is as follows:

	Spain commercial £m	Germany commercial £m	Total £m
As at 1 January 2008	7.7	0.6	8.3
Exchange differences	2.5	0.1	2.6
As at 31 December 2008	10.2	0.7	10.9
As at 1 January 2009	10.2	0.7	10.9
Exchange differences	(0.8)	(0.1)	(0.9)
As at 31 December 2009	9.4	0.6	10.0

Measurement of recoverable amounts:

Spain and Germany Commercial

The value of the assets, being the ongoing trading of the Spanish and German Commercial CGUs, are valued on a discounted cash flow basis.

Key assumptions in the calculations are:

- (i) sales, gross margin and expenses based on approved budgets and forecasts for the next 10 years, being the average life of the products currently marketed; and
- (ii) discount rates – 12% – 14%, corresponding to the internal rate of return used within the Group.
- (iii) growth rates - long term growth rates, in line with long term planning and forecasts, are assessed on an individual basis dependent on product portfolio maturity. Assumed rates are between 8% - 3% decreasing in outer years.

Management determined the budgeted gross margin based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

10. Property, plant and equipment

Group	Plant & equipment £m	Furniture & fittings £m	Total £m
At 1 January 2009			
Cost or valuation	0.8	1.6	2.4
Accumulated depreciation	(0.3)	(0.7)	(1.0)
Net book value	0.5	0.9	1.4
Year ended 31 December 2009			
Opening net book amount	0.5	0.9	1.4
Additions	0.1	–	0.1
Depreciation charge	(0.2)	(0.1)	(0.3)
Closing net book value	0.4	0.8	1.2
At 31 December 2009			
Cost or valuation	0.9	1.6	2.5
Accumulated depreciation	(0.5)	(0.8)	(1.3)
Net book value	0.4	0.8	1.2
At 1 January 2008			
Cost or valuation	0.5	1.6	2.1
Accumulated depreciation	(0.2)	(0.6)	(0.8)
Net book value	0.3	1.0	1.3
Year ended 31 December 2008			
Opening net book amount	0.3	1.0	1.3
Additions	0.3	–	0.3
Depreciation charge	(0.2)	(0.1)	(0.3)
Exchange difference	0.1	–	0.1
Closing net book value	0.5	0.9	1.4
At 31 December 2008			
Cost or valuation	0.8	1.6	2.4
Accumulated depreciation	(0.3)	(0.7)	(1.0)
Net book value	0.5	0.9	1.4

11. Borrowings

On 27 March 2007 the Group entered into a £50 million 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 and has strict requirements for drawing funds, compliance with covenants and reporting requirements.

Draw-down under the facility is made with reference to the level of sales from key products recorded by the Group in the previous twelve month period (borrowing base capability). The level of draw-down available at any one time is governed by financial covenants which define the minimum sales levels required versus year on year product growth targets and sales plans. Other financial covenants require that the Group must maintain a minimum cash level of £4.5m of which no more than £1.5m can be held by certain subsidiaries at any time. The Group is also required to provide regular monthly trading reports, as well as interim and full year accounts in a timely manner.

At the half-year the Group had drawn down £42.0m of the £50.0m facility. Following the out-licensing of Fortesta product rights to Endo Pharmaceuticals Inc, the Group repaid £2.9m and agreed with its lenders that it would make no further draw downs from this facility. A further £0.5m was repaid following the sale of three non-core products in Europe. Discussions are currently under way to access the remaining £8.0m of the facility to assist in the funding of further growth in the business.

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 will be repaid in full.

The maturity of the amount drawn down as at 31 December 2009 is detailed below:

	£m
Current	1.0
1-5 years	37.6
Total	38.6

Interest on the amount drawn is charged at a rate of (i) the greater of either one month LIBOR or 5% plus (ii) a margin of between 5.0% and 5.5%, whilst the unused line fees on the un-drawn amount, ranges between 0.25% and 0.5% depending on the un-drawn amount.

The lenders have been issued with warrants over 5,018,414 shares (representing 2.5% of current shares in issue). The warrants have a ten year life and an exercise price of 98.052p per warrant.

(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 the £17.0m drawn down during 2008 or the £5.0m drawn down during 2009. As the debt is subsequently measured at amortised cost, the initial £20.0m is accreted to the repayment amount of £20.0m at maturity, using the effective interest rate method. The effective interest rate was 12.09% for the year. The amortised cost of the debt at 31 December was £36.5m (2008: £33.7m).

	2009 £m	2008 £m
At 1 January 2009		
Net funds drawn	37.0	20.0
Cumulative accretion of loan warrants	(1.9)	(2.6)
Carrying value of set up costs	(1.4)	(1.8)
	33.7	15.6
Movements during the year		
Funds drawn less funds repaid	1.6	17.0
Accretion of loan warrants	0.8	0.7
Amortisation of set up costs	0.4	0.4
	2.8	18.1
At 31 December 2009		
Net funds drawn	38.6	37.0
Cumulative accretion of loan warrants	(1.1)	(1.9)
Carrying value of set up costs	(1.0)	(1.4)
	36.5	33.7
Less current portion	(1.0)	-
	35.5	33.7

(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 31 December 2009 was £2.4m (2008: £2.2m) and resulted in an increase in value of £0.2m (2008: £0.8m) being recognised in the Income Statement. The significant inputs into the model were the share price for the period leading up to the grant date being the closing market price on those dates, exercise price of the grant, dividend yield of 0%, expected life of the warrants, and an annual risk-free interest rate based on UK Government bond yields-to-maturity as at valuation date. The volatility measured at the standard deviation of expected share price returns is based on a broad range of comparable companies.

	2009 £m	2008 £m
At 1 January 2009	2.2	1.4
Movement in fair value charged to income statement	0.2	0.8
At 31 December 2009	2.4	2.2

12. Cash generated from operations

Continuing operations

	2009 £m	2008 £m
Loss for the year	(15.6)	(22.7)
Adjustments for:		
- tax	0.6	(2.5)
- depreciation	0.3	0.3
- amortisation (including write-down of product rights)	4.2	4.8
- profit on sale of products rights, property, plant and equipment (see below)	(1.0)	(0.1)
- loss on sale of available-for-sale financial asset	-	2.8
-net movement in provisions for liabilities and charges	(0.2)	1.0
-charges for share-based employee benefits	(0.9)	0.6
- finance income	(0.2)	(1.1)
- finance cost	5.4	4.4
- movement in fair value of warrants	0.2	0.8
- changes in working capital (excluding the effects of acquisition and exchange difference on consolidation):		
- inventories	0.9	(2.5)
- trade and other receivables	(0.5)	(2.2)
- trade and other payables	(7.2)	9.3
- deferred income	6.8	-
Cash utilised by continuing operations	(7.2)	(7.1)

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

Net book amount	0.4	-
Profit on sale of product rights, property, plant and equipment	1.0	0.1
Proceeds from sale of property, plant and equipment	1.4	0.1

Non-cash transactions

The principal non-cash transactions were the issue of equity instruments issued to employees and Directors.

Discontinued operations

	2009 £m	2008 £m
Loss for the year	(0.2)	(2.4)
Adjustments for:		
- net movement in provisions for liabilities and charges	0.2	-
- changes in working capital (excluding the effects of acquisition and exchange difference on consolidation):		
- trade and other payables	(7.8)	2.4
Cash utilised by discontinued operations	(7.8)	-

13. Principal Risks and Uncertainties

Competition and intellectual property risk

The Group's business depends both on the continued successful commercialisation of existing pharmaceutical products and the in-licensing, acquisition and/or development, obtaining and maintaining of marketing authorisations and subsequent successful commercialisation of new pharmaceutical products. The risks faced by the Group in relation to each of its products and product candidates differ substantially depending on whether they are in the market, seeking marketing authorisation(s) or in clinical development. Due to the inherent risk in the development of pharmaceutical products, it is probable that not all of the product candidates in the Group's portfolio will successfully complete development, obtain market authorisations, achieve satisfactory price reimbursement and be launched. Further, the Group's products may have to be removed from the market for regulatory reasons after approval has been given.

Marketed products

In the year ended 31 December 2009, the Group's product sales accounted for 94% (£74.4m) of total revenue versus 2008 at 96% (£53.8m) respectively. Of the currently marketed products, the largest in-market sales were generated by Adcal-D3, Sancuso, Isotard XL, Tebetane, Pencial, Rectogesic, Abstral and Droperidol (Xomolix). There can be no assurance that this level of product sales from marketed products can be either maintained or increased in the future. Product sales may be affected by adverse market developments, including the market for a particular product not developing in the manner predicted by the Group, downward pressure on pricing from governments and other third parties to limit healthcare costs, increased competition and the withdrawal of a product for regulatory reasons or otherwise.

Products seeking marketing authorisations

The Group is currently seeking a marketing authorisation for Sancuso in Europe and for Abstral and Rectogesic in the US during 2010. There can be no assurance that any product for which a marketing authorisation is sought will receive such authorisation and price reimbursement (if applicable) in those territories for which market authorisations are sought or if they do, that they will be successfully commercialised in those territories.

Clinical and regulatory risk

Insufficient efficacy in the chosen indication or unacceptable side-effect profiles may cause a product candidate to fail in clinical development or limit its applicability should it reach a commercial stage. Lack of performance by third party clinical research organisations or an inability to recruit patients may cause undue delays in clinical trials. Clinical and regulatory issues may arise or changes to the regulatory environment may occur that lead to delays, further costs, reduction in the commercial potential of a product candidate or the cessation of programmes. Ethical, regulatory or marketing approvals may be delayed or withheld or, if awarded, may carry unacceptable conditions to further development or commercial success. As both the product and its manufacturer are subject to continual review there can be no assurance that such marketing authorisation, once granted, will not be withdrawn or restricted. If there are changes to the application of legislation or regulatory policies, or problems are discovered with the product or the manufacturer, or if the Group fails to comply with regulatory requirements, the regulators could take action which may negatively impact the Group's ability to sell the products or the Group may incur substantial additional expense to comply with the regulatory requirements. In addition, in certain territories, even after obtaining a marketing authorisation, the Group may decide to seek price reimbursement approval (if applicable), which may delay the marketing of the Group's products, limit their commercial potential or mean that the product cannot be commercialised at all.

Commercialised product risk and development risk

The Group's ability to compete effectively with other companies will depend in part on its ability to obtain and maintain patent and/or trademark protection for certain of its products and product candidates, preserve its trade secrets, defend and enforce its rights against infringement and operate without infringing the proprietary or intellectual property rights of third parties. The validity and enforceability of patents and/or trademarks may involve complex legal and factual issues resulting in a high degree of uncertainty as to the extent of the protection provided.

Economic risk

The successful development and commercialisation of pharmaceutical products carry a high level of risk and the returns may be insufficient to cover the costs incurred. Restrictions on health budgets worldwide or on the prices that may be charged for new medicines through competitive or other pressures may limit a medicine's sales potential. The Group may not be able to adequately fund its own development or commercialisation activities to compete with larger, more established competitors and it may fail to attract partners on favourable terms or recruit the appropriate calibre of staff to help develop or commercialise its products. Furthermore, selected partners may fail to perform or commit the resources necessary to develop or commercialise the Group's products successfully.

Financial risk

Sustainability is dependent upon generating cash flows from successful development and commercialisation of the Group's products. Until then, the Group will be dependent upon additional funding through completion of licensing deals or through injection of capital from debt or equity sources. There can be no assurances that such funding will be achieved on favourable terms, if at all. Failure to generate additional funding may lead to postponement or cancellation of programmes and/or a scale-back of operations. Failure to achieve sales targets will reduce the borrowing base capability from the secured debt facility.

Interest rate risk is applicable firstly to the secured debt facility. Drawn amounts from this facility attract interest at a rate dependent on a margin over the greater of one month LIBOR and 5%. Secondly, the Group's own credit risk is primarily attributed to its money market investments and cash and cash equivalents. This risk is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The position regarding currency risk is regularly reviewed and currency hedging activity may be initiated if deemed appropriate.

14. Responsibility statement

The Annual Report for the year ended 31 December 2009 complies with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority in respect the requirement to produce an Annual Financial Report. Andrew McLean, Company Secretary, confirmed on behalf of the Board that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group and company; and
- the Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the company and Group, together with a description of the principal risks and uncertainties that they face.