

Press Release

ProStrakan Group plc

Interim Results for the Six Months Ended 30 June 2007

Galashiels, Scotland, 12 September 2007: ProStrakan Group plc, the international specialty pharmaceutical company, today announces its interim results for the six months ended 30 June 2007. Alongside significant progress in the financial performance of the business, the Group has made a number of notable achievements and anticipates further progress in the coming months:

Financial Highlights

- **Total revenues** up 28% to £20.9m (2006: £16.3m)
- **Product sales** up 15% to £18.5m (2006: £16.1m) inc. pan EU products up 42%
- **Gross profit** up 40% to £13.8m (2006: £9.9m)
- **Loss for the period** down 43% to £8.6m (2006: £14.9m)
- **Net cash** at period end of £30.4m (31 December 2006: £20.5m)
- **New £50m debt facility** in place - £20m drawn down @ 30 June

Operating Highlights

- **European roll outs of new products remain on track**
- **Three US launches expected by end 2009**
- **US entry strategy under preparation**
- **Sancuso** (chemotherapy-induced nausea & vomiting)
 - US NDA filed and US launch expected H2 2008
 - European MAA submitted and EU launches planned for H1 2009
- **Rapinyl** (breakthrough cancer pain)
 - In European regulatory approval
 - European launches expected in 2008
- **Tostran** (testosterone deficiency)
 - Launched in UK, Germany, France and Sweden
 - Rolling out across rest of Europe
 - US pivotal trial now under way and US launch planned for 2009

- **Rectogesic** (chronic anal fissures)
 - Launched in UK, Germany, France and Sweden
 - Rolling out across Europe
 - US pivotal trial now under way and US launch planned for 2009
- **Droperidol** (post-operative nausea and vomiting)
 - EU approval process ongoing and further EU launches planned for 2008
- **Adcal D3** (osteoporosis)
 - Sales up 11% to £6.6m (2006: £6.0m)
 - Tablet market share up to 43.5% (2006: 41.0%)
- **Distribution agreements and joint ventures**
 - Distribution deal in Italy with Keryos SpA announced July
 - Joint venture in Nordic countries announced August
 - South Korean out-licensing deal with LG Life Sciences announced August

Commenting on today's results, Dr Wilson Totten, Chief Executive, said:

"ProStrakan has made very strong progress in the first half of 2007. So far this year we have launched two new products across Europe, filed one product for approval in both the US and Europe, forged a number of important commercial partnerships and secured the finances of the Group through to profitability. All this has been achieved while growing revenues and margins substantially.

"Entry into the US remains one of our most important strategic objectives and we are vigorously pursuing options that will enable this to happen."

Enquiries:

ProStrakan

Dr Wilson Totten, Chief Executive
 Paul Garvey, Chief Financial Officer
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Today: 020 7831 3113
 Thereafter: 01896 664000

Financial Dynamics

David Yates
 Ben Brewerton

020 7831 3113

A presentation and conference call for analysts will be held at 9.30am today at the offices of Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB. Please call Mo Noonan for further details on 020 7269 7116

ProStrakan Group plc
Interim Results to 30 June, 2007

Chairman's Statement

Introduction

ProStrakan has made significant progress in the first half of 2007 towards our aim of building a successful, profitable international specialty pharmaceutical business. The period was characterised by very strong progress in product approvals, a series of international launches, the establishment of value-enhancing partnership agreements and further improvements in operational performance. In addition, we signed a £50m debt facility in March 2007 that ensures the company is properly funded. ProStrakan now stands on the brink of an important period in the Group's development as its key products are launched in international markets.

Total revenue for the period grew by 28% to £20.9m (2006: £16.3m), reflecting our broader range of pan-European products, improved international performance and continued milestone payments. Product sales grew by 15% to £18.5m (2006: £16.1m) as the benefits of recent product launches began to feed through.

The loss for the period reduced by 43% to £8.6m (2006: £14.9m) as a result of increased product sales and continued strong cost control. Our cash position at the period end was £30.4m including £20.0m drawn down from the debt facility.

With the successful NDA filing of Sancuso and its launch planned for H2 2008, our entry strategy for the US is a priority for the business. We are currently in advanced discussions with third parties which would result in the establishment of a specialist sales force in the US focused on the promotion of Sancuso. This is a very significant development for the Group and would establish an important bridgehead for ProStrakan into the world's largest pharmaceutical market. A further announcement will be made in due course once these discussions have reached a conclusion.

Since June, we have made further progress in our strategy of building an incoming royalty stream from areas that are outside our core focus to generate both profits and cash going forward, with the out-licensing of Sancuso to LG Life Sciences in South Korea. The distribution agreement for Italy with Keryos SpA and our joint venture in the Nordic countries with Orexo AB will further enhance the Group's revenue stream.

Operational Review

Product Sales

We grew product sales by 15% in the first six months of 2007 and, importantly, sales of our pan-European products grew by 42%, reflecting the aggressive launch programme for our recently-approved products.

Pan European Products

Droperidol (post-operative nausea & vomiting)

Droperidol is available for doctors to prescribe in France and on a named patient basis in a number of other European countries and saw significant growth in sales of 19% in H1 2007 to £2.2m (2006: £1.8m). We see meaningful potential for this product and initiated regulatory submissions to gain EU-wide approval in 2006. This process is ongoing and we anticipate further EU launches during 2008.

Rectogesic (chronic anal fissures)

This important product saw sales growth of 80% to £1.5m (2006: £0.8m). Launched in the UK in May 2005 it received EU approval during 2006 allowing us to launch in a number of countries during the first half of 2007. This product is now available in the UK, Germany, France and Sweden and we plan to launch it in all remaining EU territories by early 2008.

Tostran (testosterone deficiency)

This product has been available in Sweden since September 2005, where it now commands a 32% share of the testosterone gels market, and we launched it in the UK and Germany in June 2007. Nonetheless we grew sales by 179% to £209,000 in H1 2007 (2006: £75,000). The launch programme for this product is under way across Europe and we plan to have these completed by the end of 2007.

Country Specific Products

Adcal D3 (osteoporosis)

This product remains our best-selling medicine – albeit that it is only available in the UK – and we grew sales yet further in the first six months of 2007, with revenues up by 11% to £6.6m (2006:£6.0m). This product also increased its share of the calcium vitamin D tablet market in the UK by 2.5 percentage points to 43.5%. We have recently received MHRA approval for further improvements to this product, scheduled to be unveiled later this month.

Isotard XL (angina)

This product – also available in the UK – increased sales by 3% to £2.3m (2006: £2.2m) with continued encouraging volume growth reflected in tablet sales increase of 6.8% in a continually price-competitive market segment.

Tebetane (mild benign prostatic hypertrophy)

This phytopharmaceutical product has been on the market in Spain since 1976 and sales fell by 20% in H1 2007 to £1.2m (2006: £1.5m). While we anticipate it will continue to come under pressure – both through mandated price reductions and from more modern products – it continues to command a respectable share of this market segment.

Tabphyn (benign prostatic hyperplasia)

Launched in the UK in March 2006, Tabphyn grew sales by 293% to £598,000 (2006: £152,000) with tablet sales growing by 58% over the previous six months (1 July-31 December 2006).

Other products

We have a number of other country-specific products that have been added to our portfolio through previous company acquisitions. Together these recorded total sales up 8% to £3.9m (2006: £3.6m).

Development Pipeline

Sancuso (chemotherapy-induced nausea & vomiting)

We saw significant further developments during the period with our lead development product, Sancuso. Following the announcement of the successful outcome of Phase III trials at the end of 2006, we filed the NDA for Sancuso with the FDA in the US and this application has now been accepted. Subject to FDA approval, we plan to launch Sancuso in the US in H2 2008.

The Marketing Authorisation Application (MAA) for Europe was submitted in July. Subject to successful completion of the EU approval process, the Company anticipates the EU launch of Sancuso in H1 2009.

Rapinyl (breakthrough cancer pain)

This product, for which we have in-licensed European rights from Orexo AB (with whom we recently announced a joint venture in the Nordic countries), continues to undergo the European regulatory approval process and we anticipate launching Rapinyl in Europe during 2008.

Rectogesic (chronic anal fissures)

Since the half-year, we have initiated a pivotal US trial (the “APT” study) in pursuit of FDA approval for this product, which will be branded *Cellegesic* in the US. It is anticipated that top line results from this study will be available in H1 2008, with NDA filing in H2 2008. Subject to FDA regulatory review, the US launch of *Cellegesic* is planned for 2009. If approved, *Cellegesic* will be the first prescription treatment in the US indicated for the treatment of pain associated with chronic anal fissures.

Tostran (testosterone deficiency)

We own the global rights to this product and, along with Rectogesic and Sancuso, it represents an important component in our plans for establishing a US business. A pivotal trial was initiated in August 2007 and the protocol for the “Fortify” trial has been agreed under Special Protocol Assessment (SPA) with the FDA. Top line results are expected in H1 2008 and we hope to file its NDA in H2 2008, with a view to launching in the US – under the brand name *Fortigel* – in 2009.

Droperidol (post-operative nausea & vomiting)

This product, to be branded *Xomolix* in some countries, is currently available in a number of EU territories. The EU regulatory approval process for Droperidol is ongoing and we continue to work towards approvals to support more widespread EU launches in 2008.

Operational Summary & Outlook

This has been a period of very significant progress on all fronts for ProStrakan. We have launched new products into a number of EU territories; filed Sancuso for approval in both the US and Europe; forged important and profitable commercial alliances; and further strengthened the Group's balance sheet.

Alongside these achievements we have grown product revenues significantly and we continue to roll out these products across Europe during the remainder of the year, allowing us to have confidence in the sustainability of the growth displayed in the first half of 2007.

The establishment of a sales capability in the US, which is the subject of ongoing discussions, will underpin our ability to deliver revenue growth from our existing, near-to-market portfolio, and transform our ability to access new and relevant products. This will sustain our aspiration to drive growth in the Group's revenues and – from 2009 – profitability, with enhanced cash generation beyond this time.

We plan to continue to capitalise on the strength of our product portfolio through collaborations with new partners, ensuring that we can exploit the revenue generating capabilities of these patient-friendly medicines in our non-core markets outside Western Europe and the US.

In summary, the Board and Management of ProStrakan are confident that the Group continues to make excellent strategic progress, while performing in line with its expectations for 2007 as a whole.

Financial Review

The financial results for the six months ended 30 June 2007, prepared under the Group's accounting policies based on International Financial Reporting Standards, are presented below.

Revenue

Revenue increased by 27.7% to £20.9m (2006: £16.3m), with product sales increasing by 14.6% to £18.5m (2006: £16.1m) and licensing, royalty and other revenue increasing to £2.4m (2006: £0.2m). The product sales growth was driven by good growth in existing products and strong growth in the recently launched pan-European products, which were up 42% over the first half of 2006.

Gross Margin

Gross margin increased to 66% (gross profit: £13.8m) from 60.4% in 2006 (gross profit £9.9m). This increase in margin results from the increasing proportion of revenues emanating from newer, differentiated and protected products together with the Group's growing portfolio of global rights.

Operating Costs & Losses

Operating costs consisted of distribution costs of £12.8m (2006: £10.8m) and administrative expenses of £4.8m (2006: £3.9m). The increase in distribution costs reflects the ongoing investment in a sales and marketing infrastructure and launch programmes in the key European markets, while the increase in administrative expenses includes investment in a growing organisation, increasing professional fees and some re-organisation costs. This led to a reduced operating loss before development expenditure of £3.7m (2006: £6.1m).

We continue to invest heavily in our development projects and our development spend in the first half of 2007 increased, in line with expectations, to £5.0m (2006: £4.0m). This reflects the ongoing development investment in our key products, but particularly the investment in Sancuso, Rectogesic (*Cellegesic*) and Tostran (*Fortigel*) for the US market.

Finance income for the first half of the year increased to £0.6m (2006: £0.5m) reflecting the higher rates of return available in the money markets, while finance costs increased to £0.9m (2006: £0.02m) as a result of the loan draw down under the facility outlined below, together with amortised costs associated with this facility. In addition, we have recognised the movement of £0.6m in fair value of the warrants issued to the lenders in March 2007.

After a small taxation charge, the loss for the period before discontinued operations reduced to £8.6m (2006: £9.7m). Taking the discontinued operations charge for the first half of 2006 into account, the loss for the first half reduced from £14.9m in 2006 to £8.6m in 2007.

Loan Facility

In March 2007 we entered into a £50m debt facility provided by Fortress Investment Group, Morgan Stanley and funds managed by Och-Ziff Capital Management Group. This secured debt facility has a five year term and has no scheduled capital repayment obligations during the first three years. Amounts may be drawn down by reference to the level of sales from key products recorded by ProStrakan in the prior 12 month period.

There is an initial committed drawdown capability of £30m, of which ProStrakan has now drawn down £20m. Interest is charged at a rate of (i) the greater of either three month LIBOR or 5% plus (ii) a margin between 5.0% and 5.5%. In addition the lenders were issued with warrants over five million shares in ProStrakan, representing 2.5% of the current shares in issue. The warrants have a 10 year life and an exercise price of 98.052p per warrant.

Cash Flow

The loss for the financial period, adjusted for non-cash items such as depreciation and amortisation less the working capital requirements, led to a net cash outflow from operating activities of £9.9m (2006: £15.7m including £5.9m from discontinued activities). Net finance income, finance costs and taxation provided an inflow of £0.9m (2006: £0.4m) while net capital expenditure on tangible and intangible assets amounted to £0.4m (2006: £3.5m). Net financing activities including the debt facility drawdown, net of deferred costs, and share issue proceeds contributed £19.0m (2006: £Nil) to cash, resulting in a cash increase in the first half of 2007 of £9.7m (2006: cash decrease of £17.9m). Exchange gains added £0.2m (2006: losses of £0.9m). Actual cash at the end of the period was £30.4m (2006: £20.0m).

Balance Sheet

The Group's non-current assets at 30 June 2007 were £49.7m (2006: £52.3m). This total consists of: property, plant and equipment of £1.3m; intangible assets of £39.0m; available-for-sale financial assets of £6.6m; R&D tax credits receivable of £0.7m; and other receivables of £2.1m. The intangible assets consist of acquired product rights of £31.4m and goodwill of £7.6m. Inventories have increased to £4.4m (2006: £4.0m) while trade and other receivables have increased to £7.5m (2006: £6.5m). Trade and other payables, which include indemnification against the potential tax liability arising from the disposal of ProSkelia SAS in 2006, increased to £24.5m (2006: £14.1m). Other non-current liabilities, which include the loan drawdown, have also increased to £22.9m (2006: £11.6m). Total equity at 30 June 2007 was £42.1m (2006: £55.2m).

Harry Stratford

Chairman

ProStrakan Group plc

12 September, 2007

Consolidated interim income statement (unaudited)

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
Note	£'000	£'000	£'000
Revenue	20,876	16,348	38,459
Cost of goods sold	(7,101)	(6,480)	(15,445)
Gross profit	13,775	9,868	23,014
Distribution costs	(12,781)	(10,788)	(21,455)
Administrative expenses	(4,743)	(3,933)	(7,853)
Impairment of product rights not launched	-	(1,274)	(1,274)
Other (losses)/gains	-	-	(23)
Operating loss before Development	(3,749)	(6,127)	(7,591)
Development	(4,993)	(3,987)	(10,700)
Operating loss after Development	(8,742)	(10,114)	(18,291)
Finance income	598	492	1,007
Finance cost	(894)	(16)	(33)
Movement in fair value of warrants	556	-	-
Loss before income tax	(8,482)	(9,638)	(17,317)
Taxation	(68)	(26)	9
Loss for the period from continuing operations	(8,550)	(9,664)	(17,308)
Discontinued operations	-	(5,209)	(12,282)
Loss for the period	(8,550)	(14,873)	(29,590)

Attributable to equity shareholders

Earnings per share for loss attributable to the equity of the holders of the Company during the period from continuing operations (expressed in pence per share)

- basic and diluted	5	(4.3)	(5.2)	(9.0)
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Consolidated interim balance sheet (unaudited)

	30 June 2007 £'000	30 June 2006 £'000	31 December 2006 £'000
Assets			
Non-current assets			
Available-for-sale financial assets	6,579	-	6,316
Intangible assets	39,014	40,713	39,979
Property, plant and equipment	1,287	5,541	1,251
Other receivables	2,103	-	2,105
Research and development tax credits receivable	765	6,072	766
	49,748	52,326	50,417
Current assets			
Inventories	4,423	4,000	3,697
Trade and other receivables	7,463	6,487	7,063
Income tax receivable	200	250	96
Research and development tax credits receivable	75	1,417	1,049
Cash and cash equivalents	30,352	19,979	20,513
	42,513	32,133	32,418
Liabilities			
Current liabilities			
Trade and other payables	24,490	14,050	24,880
Provisions for other liabilities and charges	30	1,114	101
Warrant liability	2,502	-	-
	27,022	15,164	24,981
Net current assets	15,491	16,969	7,437
Non-current liabilities			
Retirement benefit obligations	34	342	32
Other non-current liabilities	22,947	11,635	8,937
Provisions for other liabilities and charges	140	2,130	40
	23,121	14,107	9,009
Net assets	42,118	55,188	48,845
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	4	171,329	158,791
Other reserves		76,317	78,657
Retained earnings		(205,528)	(182,260)
		(196,972)	(196,972)
Total equity		42,118	55,188
		48,845	48,845

Consolidated interim statement of changes in equity (unaudited)

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2006	158,786	77,911	(167,382)	69,315
Currency translation difference – being net loss recognised directly in equity	-	(382)	-	(382)
Loss for the period	-	-	(14,873)	(14,873)
Total recognised income for the period	-	(382)	(14,873)	(15,255)
Employee share option scheme:				
- value of services provided	-	1,128	-	1,128
Revaluation of owned shares held by ESOP	5	-	(5)	-
	5	1,128	(5)	1,128
Balance at 30 June 2006	158,791	78,657	(182,260)	55,188
Balance at 1 July 2006	158,791	78,657	(182,260)	55,188
Currency translation differences – being net loss recognised directly in equity	-	(2,377)	-	(2,377)
Loss for the period	-	-	(14,717)	(14,717)
Total recognised income for the period	-	(2,377)	(14,717)	(17,094)
Employee share option scheme:				
- value of services provided	-	(195)	-	(195)
- proceeds from shares issued	250	-	-	250
Issue of share capital	10,779	-	-	10,779
Revaluation of owned shares held by ESOP	(5)	-	5	-
Shares to be issued – previous year business combination	-	(83)	-	(83)
	11,024	(278)	5	10,751
Balance at 31 December 2006	169,815	76,002	(196,972)	48,845
Balance at 1 January 2007	169,815	76,002	(196,972)	48,845
Fair value gains, net of tax:				
- available-for-sale financial assets	-	268	-	268
Currency translation differences – being net income recognised directly in equity	-	164	-	164
Net income recognised directly in equity	-	432	-	432
Loss for the period	-	-	(8,550)	(8,550)
Total recognised income for the period	-	432	(8,550)	(8,118)
Employee share option scheme:				
- value of services provided	-	262	-	262
- proceeds from shares issued	1,508	-	-	1,508
Revaluation of owned shares held by ESOP	6	-	(6)	-
Shares to be issued – previous year business combination	-	(379)	-	(379)
	1,514	(117)	(6)	1,391
Balance at 30 June 2007	171,329	76,317	(205,528)	42,118

Consolidated interim cash flow statement (unaudited)

	Note	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
Cash flows from operating activities				
Continuing operations	6	(9,898)	(9,752)	(10,111)
Discontinued operations	6	-	(5,904)	(10,377)
Cash used in operations		(9,898)	(15,656)	(20,488)
Continuing operations:				
Finance income		598	492	1,007
Finance cost		(633)	(16)	(33)
R&D tax credits received		964	(42)	-
Income tax paid		-	-	134
		929	434	1,108
Discontinued operations:				
Cash flows from operating activities		-	785	769
Net cash used in operating activities		(8,969)	(14,437)	(18,611)
Cash flows from investing activities				
Purchases of intangible assets		(194)	(3,344)	(11,380)
Purchases of property, plant and equipment (PPE)		(175)	(109)	(211)
Proceeds from sale of PPE and intangibles	6	9	1	1,127
Cash flows used in continuing operations – investing activities		(360)	(3,452)	(10,464)
Cash flows relating to discontinued operations				
- disposal proceeds net of cash sold with business		-	-	(121)
Cash flows relating to discontinued operations – other investing activities		-	(3)	(64)
Net cash generated by investing activities		(360)	(3,455)	(10,649)
Cash flows from financing activities				
Net proceeds from borrowings		17,856	-	-
Proceeds from issuance of ordinary shares (net of own shares purchased by ESOP)		1,133	-	11,029
Net cash generated by financing activities		18,989	-	11,029
Net increase/(decrease) in cash and cash equivalents		9,660	(17,892)	(18,231)
Cash and cash equivalents at the beginning of the period		20,513	38,730	38,730
Exchange gains/(losses) on cash and cash equivalents		179	(859)	14
Cash and cash equivalent at the end of the period		30,352	19,979	20,513

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.

2. Summary of significant accounting policies

The financial information presented in these financial statements has been prepared on the basis of those International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretation Committee (SIC) interpretations that are applicable to 2007 financial reporting.

2.1 Basis of preparation

These interim consolidated financial statements are for the six months ended 30 June 2007. They were approved by the Board of Directors on 11 September 2007 and are unaudited. The Group accounts for the year ended 31 December 2006 prepared in accordance with IFRS, which carried an unqualified Auditors’ Report, have been filed with the Registrar of Companies.

Where necessary, the results for the half year to June 2006 have been restated to reflect the accounting policies and treatments adopted in the Report and Accounts for the year ended 31 December 2006, including disclosure of discontinued operations.

The Group has not applied IAS 34 “Interim financial reporting”, which is not mandatory for UK groups, in the preparation of these interim financial statements.

The Auditors have reported on the financial statements for the year ended 31 December 2006, which were prepared under IFRS. Their report was unqualified and did not contain any statements under s237 (2) or (3) Companies Act 1985.

2.2 Debt facility

Costs relating to the debt facility have been included in the financial instrument’s initial measurement and will be amortised in the income statement over the instrument’s life. Warrants issued as part of the debt facility have been recorded at fair value at initial recognition and are accounted for as a derivative financial liability. Movements in fair value are recognised in the income statement. The fair value of the debt element at initial recognition has been determined using the market rate of interest for a similar financial instrument that does not include a warrant component. Thereafter the debt is measured at amortised cost.

3. Segment information

Primary reporting format - business segments

Based on the risks and returns, the Directors consider that the primary reporting format is by business segment. The Directors consider that there is only one business segment, being pharmaceuticals. The Group develops, registers, internationally markets or out-licenses a range of pharmaceutical products. The Group also generates limited revenues from other sources, mainly the sale of development resources. Therefore the disclosures for the primary segment have already been given in the financial statements.

Secondary reporting format – geographical segments

The Group is organised on a worldwide basis. The operations are based in three main geographical areas. The United Kingdom is the home of the parent company.

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
	£'000	£'000	£'000
Revenue			
United Kingdom	11,085	9,441	20,665
European Union (excluding the UK)	7,530	6,779	15,025
Other countries	2,261	128	2,769
Continuing operations	20,876	16,348	38,459
Discontinued operations	-	-	118
	20,876	16,348	38,577

Revenues are allocated based on the country in which the customer is located.

Total assets

United Kingdom	6,652	24,449	30,443
European Union (excluding the UK)	31,396	38,976	25,060
Other countries	54,213	21,034	27,332
	92,261	84,459	82,835

Total assets are allocated based on where the assets are located.

Capital expenditure

United Kingdom	98	68	161
European Union (excluding the UK)	111	31	225
Other countries	160	5,504	8,330
	369	5,603	8,716

Capital expenditure is allocated based on where the assets are located.

Analysis of sales by category

Sales of goods	18,496	16,136	33,617
Revenue from services	22	1	1
Licensing income	1,940	140	4,715
Royalty income	418	71	126
Continuing operations	20,876	16,348	38,459
Discontinued operations	-	-	118
	20,876	16,348	38,577

4. Share capital

	Total '000
Authorised – shares of £0.05 each	
30 June 2007	400,000
Issued and fully paid – shares of £0.05 each	
In issue at 30 June 2007	201,219
Own shares held by ESOP	(20)
30 June 2007	201,199

	Number of shares '000	Ordinary shares £'000	Share premium £'000	Own shares held £'000	Total £'000
At 1 January 2007	199,525	9,976	159,862	(23)	169,815
Employee share option scheme – shares issued	1,674	84	1,424	-	1,508
Revaluation of owned shares held by ESOP	-	-	-	6	6
At 30 June 2007	201,199	10,060	161,286	(17)	171,329

All issued shares are fully paid.

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 ended 30 June 2007	Six months Ended 30 June 2006	Year ended 31 December 2006
Loss attributable to equity holders of the Company (£'000)	(8,550)	(14,873)	(29,590)
Basic earnings per share (pence per share)	(4.3)	(8.0)	(15.4)
Basic earnings per share from continuing operations			
Loss attributable to equity holders of the Company (£'000)	(8,550)	(9,664)	(17,308)
Basic earnings per share (pence per share)	(4.3)	(5.2)	(9.0)
Basic earnings per share from discontinued operations			
Loss attributable to equity holders of the Company (£'000)	-	(5,209)	(12,282)
Basic earnings per share (pence per share)	0.0	(2.8)	(6.4)
Weighted average number of ordinary shares in issue ('000)	200,534	186,772	192,411

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. Cash generated from operations

Continuing operations	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000	Year Ended 31 December 2006 £'000
Loss for the period	(8,550)	(9,664)	(17,309)
Adjustments for:			
- tax	35	26	(9)
- depreciation	123	169	240
- amortisation (including write-down of product rights)	1,152	2,087	3,944
- movement in fair value of warrants	(556)	-	-
- fair value of shares to be issued (previous year acquisition)	-	-	(83)
- (profit)/loss on sale of property, plant and equipment (see below)	(1)	11	8
- net movement in provision for liabilities and charges	29	-	147
- charges for share-based employee benefits	262	890	933
- interest income	(598)	(492)	(1,007)
- interest expense	894	16	33
- changes in working capital (excluding the effects of acquisition and exchange difference on consolidation):			
- inventories	(726)	(357)	(211)
- trade and other receivables	(472)	(376)	(1,690)
- trade and other payables	(1,490)	(2,062)	4,893
Cash generated from operations	(9,898)	(9,752)	(10,111)
In the cash flow statement, proceeds from sale of property, plant and equipment comprise:			
Net book amount	8	12	9
Profit/(loss) on sale of property, plant and equipment	1	(11)	(8)
Proceeds from sale of property, plant and equipment	9	1	1

Discontinued operations	Six months ended 30 June 2007 £'000	Six months ended 30 June 2006 £'000	Year ended 31 December 2006 £'000
Loss for the period	-	(5,209)	(12,282)
Adjustments for:			
- tax	-	(230)	(598)
- depreciation	-	966	1,261
- amortisation (including write-down of product rights)	-	-	2,409
- loss on sale of property, plant and equipment	-	-	1,826
- net movement in pension liability	-	(15)	(31)
- net movement in provisions for liabilities and charges	-	(1,000)	(9)
- charges for share based employee benefits	-	238	-
- interest income	-	(317)	(329)
- interest expense	-	-	24
- changes in working capital (excluding the effects of acquisition and exchange difference on consolidation):			
- trade and other receivables	-	304	244
- trade and other payables	-	(641)	(2,892)
Cash generated from operations	-	(5,904)	(10,377)