

Press Release

ProStrakan Group plc

Preliminary results for the year ended 31 December 2007

ProStrakan Reports Further Progress in a Year of Significant Developments

Galashiels, Scotland, 13 March 2008 ProStrakan Group plc (LSE: PSK), the specialty pharmaceutical company, today announces its unaudited Preliminary Results for the year ended 31 December 2007.

FINANCIAL HIGHLIGHTS

- Accelerated revenue growth
 - Product sales up 22% to £40.9m
 - Total revenues up 19% to £45.6m
- Gross profit up 28% to £29.4m
- Operating loss reduced by 3% to £17.7m
- Retained loss down by 41% to £17.3m
- Loss per share reduced by 44% to 8.6p per share
- Strong cash position of £24.5m with further available debt facility of £30m

OPERATING HIGHLIGHTS

- Pan-European products (Tostran, Rectogesic & Droperidol) display strong growth with sales up 47%
- Best-selling product, Adcal-D3 grows sales by 14%
- New Drug Application (“NDA”) for Sancuso under consideration by FDA, with US launch planned for H2 2008
- European Marketing Authorisation Application (“MAA”) for Sancuso lodged. EU launches expected in 2009
- Rapinyl approved in Sweden and currently under CHMP review. Swedish launch expected Q3 2008. Other EU launches expected from end 2008
- Enrolment now complete for US Phase III trial for Fortigel (Tostran). FDA filing expected during 2008
- Phase III US trial for Cellegesic (Rectogesic) under way. FDA filing planned for late 2008 or early 2009
- Significant progress achieved in creation of US infrastructure to support US Sancuso launch

Commenting on the results, Dr Wilson Totten, ProStrakan's Chief Executive Officer, said:

"ProStrakan has reached a pivotal point in its development. In 2007, with the creation of a sales and marketing infrastructure in the US, we put in place the last of the building blocks that will provide the platform for our future growth.

"2008 is set to be a transformational year, with regulatory approvals of key products anticipated in both Europe and the US and important results due on two further products in Phase III US trials. The Company is strongly funded and remains on track to achieve its target of break-even during 2009, with increasing profitability thereafter generated from the growing sales of new products."

Ends

There will be a presentation and conference call for analysts today (Thursday 13 March) at 9.30am. Contact Mo Noonan, Financial Dynamics (+44 (0)20 7269 7116) for details.

For more information on this announcement, please contact:

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ProStrakan Preliminary Results 2007

Introduction

2007 was a significant year in the further development of ProStrakan with the Group making strong progress in its growth as a truly international specialty pharmaceutical company. We took important steps towards the commercialisation of our portfolio of near-to-market products; drove significant continued organic growth; secured the funding of the Group through to break-even; extended our European footprint; and laid the groundwork for our expansion into the key US market.

ProStrakan is now well positioned for the next stage in its growth as we look forward to the emergence of a portfolio of products to be marketed in the US and further expansion of our pan-European product range.

Turnover for the year increased by 19% to £45.6m (2006: £38.5m). Product sales – almost entirely generated by our own sales force – increased by 22% to £40.9m (2006: £33.6m) and included growth in our pan-European products (Tostran, Rectogesic and Droperidol/Xomolix) of 47% to £8.3m (2006: £5.6m). Our UK market-leading product, Adcal-D3 (our best-selling medicine), grew sales by 14% to £14.8m (2006: £13.0m).

As a result, the Group's gross profit increased by 28% to £29.4m (2006: £23.0m). Operating loss improved by 3% to £17.7m (2006: £18.3m) whilst retained loss improved by 41% to £17.3m (2006: £29.6m). The loss per share improved by 44% to 8.6p per share (2006: 15.4p per share).

In March 2007, we announced the completion of a £50m secured debt facility, of which the Group has drawn down an initial £20m. At 31 December 2007, the Group had a strong cash position of £24.5m with a further £30m available under our debt facility. Cash used during the year was £15.7m, before the one-off costs associated with the secured debt facility.

Corporate Development

Since the Group's Interim Results, ProStrakan has announced the formation of a strategic alliance with NovaQuest, the partnering arm of Quintiles Transnational Corporation, to commercialise ProStrakan's products in the United States. This arrangement will enable the creation of a 75-strong ProStrakan sales force in the US to implement the launch of Sancuso, the Group's medication targeted to prevent chemotherapy-induced nausea and vomiting. The NDA for Sancuso was filed with, and accepted by, the FDA on plan during the summer and, subject to successful completion of the US approval process, the US launch of Sancuso is planned for H2 2008.

In preparation for this, the Group has made significant progress in the creation of the appropriate US infrastructure to support the launch of this important product. Office accommodation has been secured in Bedminster, New Jersey, ensuring excellent communication links both domestically and internationally. The Group has made a number of senior US appointments and has established, with NovaQuest, a Joint Operating Committee to oversee the appointment of the Group's US sales force. Consequently, ProStrakan's management is confident that the necessary infrastructure will be in place ahead of the expected approval of Sancuso in summer 2008 and its subsequent US launch.

Further progress has been achieved in other territories in 2007. We announced in July a distribution agreement with Keryos SpA for Tostran and Rectogesic which have now been launched in Italy as a result; the formation, in August, of a joint venture with Orexo AB for the marketing and distribution of current and future products in the Nordic countries; and the signing of a distribution agreement for Sancuso with LG Life Sciences, Ltd in South Korea. In addition, the Group received milestone payments totalling \$1.875m from Galapagos NV in relation to our original deal with Novartis, which became part of the December 2006 agreement with Galapagos on the sale of ProStrakan's drug discovery unit.

Products

Sancuso is a transdermal patch that delivers granisetron, an established 5-HT₃ receptor antagonist, steadily into the bloodstream over a number of days, helping to prevent the side-effects of nausea and vomiting in patients undergoing chemotherapy, without the need for injection or having to swallow pills.

The NDA was filed with the FDA on plan in June. Subject to successful completion of the US approval process, the US launch of Sancuso is planned for H2 2008. The European MAA for Sancuso was lodged in July 2007 and we expect EU approval in H2 2008, with European country launches commencing in 2009.

Rapinyl is a new 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. ProStrakan has in-licensed the European rights to this product.

During 2007, this product completed the EU Decentralised Procedure (DCP) where a consensus is required to achieve approval. Of the 25 Concerned Member States, 21 expressed a positive opinion and the application has therefore been referred for review by the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA), where a majority decision is sufficient to gain approval. The Company expects that approval will be achieved in 2008.

Our confidence in the efficacy and commercial value of this product was underpinned by the release, in December, of positive efficacy analysis of the Phase III trial of this product by Endo Pharmaceuticals, who hold the US rights for this product. Rapinyl received a further boost earlier this month with the news that this product has been granted Marketing Authorisation for Sweden. We plan to launch Rapinyl in Sweden (branded as Abstral) in Q3 2008 with other EU launches from the end of 2008.

Tostran (branded as Fortigel in the US) is a patented transdermal testosterone gel that utilises a proprietary metered dose delivery system for testosterone replacement therapy in male hypogonadism. Its European rollout is well advanced. The product has been launched in the UK, Germany, France, Spain, Sweden and Italy. Revenues grew by 256% in 2007.

Rectogesic (branded as Cellegesic in the US) is prescribed for the relief of pain associated with chronic anal fissures. This product is also now available in all major EU territories and has displayed strong growth. Revenues grew by 87% in 2007.

Droperidol (to be branded Xomolix for future launches) is a branded, injectable drug used primarily in hospitals for the prevention and treatment of post-operative nausea and vomiting, and in September successfully completed the European DCP. Revenues grew by 17% in 2007.

Droperidol is already marketed in eight European countries, including France, The Netherlands and Portugal. The Company intends to commence launches in other EU territories during 2008.

Adcal-D3, which is marketed solely in the UK, is ProStrakan's best-selling medicine. Adcal-D3 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.

During 2007, ProStrakan received regulatory approvals in the UK for new, lemon-flavoured versions of this product, in both chewable tablet and soluble formulations. Revenues grew by 14% in 2007.

Product Development

Fortigel (branded as Tostran in most of Europe) is a patented transdermal testosterone gel that utilises a proprietary metered dose delivery system for testosterone replacement therapy in male hypogonadism. Following successful meetings with the FDA in H1 2007, the process for seeking US approval for Fortigel is under way, with patient enrolment of over 140 hypogonadal males aged 18-75 for its Phase III study now complete. Subject to the successful completion of this trial, we anticipate re-filing Fortigel with the FDA in 2008 with a planned US launch during 2009.

Cellegesic (branded as Rectogesic in Europe) is prescribed for the relief of pain associated with chronic anal fissures. Patient enrolment for the US Phase III trial for Cellegesic is now under way, albeit at a slower pace than that of Fortigel as over 240 patients are to be involved. The Group anticipates closing recruitment for the study in H2 2008, with a planned US launch in 2009.

Testosterone-Glucoside is an oral prodrug of testosterone for testosterone replacement therapy in male hypogonadism. Formulation development continues for Testosterone Glucoside with clinical pharmacokinetic evaluation scheduled to occur during 2008.

People

In April, we welcomed our new CFO, Paul Garvey, to the Company and to the Board and in June, at the Group's Annual General Meeting, Simon Turton was appointed in place of Nick Lowcock as the appointed representative of Warburg Pincus – our largest shareholder – on the Board of Directors. We would like to thank Nick for his knowledgeable counsel and involvement during his time on the Board.

In December 2007, the Group announced the appointment of Peter Allen as Non-Executive Chairman, following the decision of Harry Stratford OBE to retire from the role. The Board would like to take this opportunity to thank Harry for his significant contribution to the Group and for guiding it to this pivotal point in its development.

Since the year-end, Alan Walker, VP Global Commercial Operations, has resigned from the Board and left the Company and we thank him for his loyal service to ProStrakan.

ProStrakan has an experienced and dedicated team of people in all its functions who work diligently and tirelessly to bring our patient-friendly products to patients and clinicians in each of the markets in which we operate. The Board recognises the input that our staff have to the ongoing success of the business and would like to thank them for their continued support and hard work.

Outlook

2008 is set to be a transformational year for ProStrakan. We anticipate approval in both the US and Europe for Sancuso, approval in Europe for Rapinyl and by the end of the year we expect to file Fortigel in the US, with Cellegesic following shortly thereafter. In addition, we anticipate the completion of our US infrastructure in H1, ahead of the recruitment of our US sales force, in collaboration with NovaQuest.

In the meantime, we continue to build our European business and the continued expansion of our portfolio of pan-European products positions us strongly for ongoing expansion in this important market.

The Board expects to see continued progress in the delivery of ProStrakan's strategy during 2008 against a background of a strong cash position and facility for sufficient further debt to fund the Company through to our target of break-even during 2009.

Financial Review

The financial results for the year ended 31 December 2007, prepared under the Group's accounting policies based on EU endorsed International Financial Reporting Standards, are presented below.

Revenue

The Company has made further strong progress in 2007. Product sales increased by 22% to £40.9m (2006: £33.6m) including growth in our Pan-European products (Tostran, Rectogesic and Droperidol/Xomolix) of 47% from £5.6m in 2006 to £8.3m for 2007. Adcal-D3, the UK market-leading product grew sales by 14% to £14.8m (2006: £13.0m). Other Revenues, which included deferred milestone payments from agreements signed in 2006, continued to contribute significantly to the Group with revenues of £4.7m in 2007 (2006: £4.9m). Combined with our strong product sales growth, this resulted in total revenue growth of 19% to £45.6m (2006: £38.5m).

Gross Margin

Gross margin increased to 64% (gross profit: £29.4m) from 60% in 2006 (gross profit £23.0m). 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 £26.2m (2006: £21.5m) and administrative expenses of £11.0m (2006: £9.1m). The increase in distribution costs reflects the ongoing investment in the existing European sales and marketing infrastructure, the commencement of investment in the new US sales and marketing infrastructure and launch programmes in the key European markets, while the increase in administrative expenses reflects the investment in a growing organisation. This has led to an operating loss before development expenditure of £7.7m (2006: £7.6m).

We continue to invest in our development projects and our spend in this area in 2007 was in line with expectations at £10.1m (2006: £10.7m). 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.

Included in the operating and development costs are share-based payments of £0.8m (2006: £0.9m) which relate to the various company share schemes and warrants issued to NovaQuest as part of our strategic alliance agreement with a value of £0.5m (2006: £Nil). We have also incurred an impairment charge related to the older acquired products in Spain and Germany of £1.3m (2006: £1.3m). Neither of these charges have any cash effect on the Company.

Finance income for the year increased to £1.3m (2006: £1.0m) reflecting the higher rates of return available in the money markets, while finance costs increased to £2.8m (2006: £Nil) 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 £1.6m in fair value of the warrants issued to the lenders in March 2007.

After a small taxation credit, the loss for the year was £17.3m (2006: £17.3m before discontinued operations; the 2006 loss including discontinued operations was £29.6m).

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.

ProStrakan has drawn down an initial £20m. Interest is charged at a rate of (i) the greater of either one 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 £14.7m (2006: £20.5m including £10.4m from discontinued activities). Net finance income, finance costs and taxation provided an inflow of £0.3m (2006: £1.1m) while net capital expenditure on tangible and intangible assets amounted to £1.2m (2006: £10.5m). Net financing activities including the debt facility drawdown, net of deferred costs and share issue proceeds contributed £19.7m (2006: £11.0M) to cash, resulting in a cash increase in 2007 of £4.0m (2006: cash decrease of £18.2m). Cash and cash equivalents at the end of the period were £24.5m (2006: £20.5m).

Balance Sheet

The Group's non-current assets at 31 December 2007 were £50.6m (2006: £50.4m). This total consists of: property, plant and equipment of £1.3m; intangible assets of £38.4m; available-for-sale financial assets of £7.8m; R&D tax credits receivable of £0.8m; and other receivables of £2.3m. The intangible assets consist of acquired product rights of £30.0m, goodwill of £8.3m and other intangibles of £0.1m. Inventories have increased to £4.5m (2006: £3.7m) while trade and other receivables have increased to £9.1m (2006: £7.1m). Trade and other payables, which include indemnification against the potential tax liability arising from the disposal of ProSkelia SAS in 2006 and the warrant liability, increased to £28.3m (2006: £25.0m). Other non-current liabilities, which include the loan drawdown, have also increased to £24.8m (2006: £9.0m). Total equity at 31 December 2007 was £35.8m (2006: £48.8m).

Ends

ProStrakan

ProStrakan Group plc is a rapidly growing specialty pharmaceutical company engaged in the development and commercialisation of prescription medicines for the treatment of unmet therapeutic needs in major markets.

ProStrakan's head office and development facilities are situated in Galashiels in Scotland. Sales and marketing of ProStrakan's portfolio of products are handled by commercial subsidiaries in the UK, US, France, Germany, Spain and other EU countries. www.prostrakan.com

Consolidated income statement (unaudited)

	Year ended 31 December 2007	Year ended 31 December 2006
	£'000	£'000
Revenue	45,596	38,459
Cost of goods sold	(16,204)	(15,445)
Gross profit	29,392	23,014
Distribution costs	(26,164)	(21,455)
Administrative expenses	(10,992)	(9,127)
Other gains/(losses) – net	99	(23)
Operating loss before development	(7,665)	(7,591)
Research and development	(10,060)	(10,700)
Operating loss after development	(17,725)	(18,291)
Operating loss after development costs includes:		
Depreciation of tangible assets	261	240
Amortisation of intangible assets	2,440	2,670
Impairment of Product Rights not launched	-	1,274
Impairment of Product Rights	1,346	-
Finance income	1,287	1,007
Finance costs	(2,758)	(33)
Movement in fair value of warrants	1,591	-
Loss before income tax	(17,605)	(17,317)
Taxation	257	9
Loss for the year from continuing activities	(17,348)	(17,308)
Discontinued operations	-	(12,282)
Loss for the year	(17,348)	(29,590)

Earnings per share for loss attributable to the equity holders of the Company during the year
(expressed in pence per share)

- basic	(8.6)	(15.4)
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Consolidated balance sheet (unaudited)

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Assets		
Non-current assets		
Investments	7,747	6,316
Intangible assets	38,430	39,979
Property, plant and equipment	1,278	1,251
Other receivables	2,295	2,105
Research and development tax credits receivable	835	766
	50,585	50,417
Current assets		
Inventories	4,523	3,697
Trade and other receivables	9,103	7,063
Income tax receivable	194	96
Research and development tax credits receivable	89	1,049
Cash and cash equivalents	24,469	20,513
	38,378	32,418
Liabilities		
Current liabilities		
Trade and other payables	26,710	24,880
Provisions for other liabilities and charges	164	101
Warrant liability	1,467	-
	28,341	24,981
Net current assets	10,037	7,437
Non-current liabilities		
Retirement benefit obligations	47	32
Other non-current liabilities	9,281	8,937
Provisions for other liabilities and charges	15,517	40
	24,845	9,009
Net assets	35,777	48,845
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	172,212	169,815
Other reserves	77,895	76,002
Retained earnings	(214,330)	(196,972)
Total equity	35,777	48,845

Consolidated cash flow statement (unaudited)

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Cash flows from operating activities		
Continuing operations	(14,719)	(10,111)
Discontinued operations	-	(10,377)
Cash used in operations	(14,719)	(20,488)
Finance income	1,287	1,007
Finance cost	(1,999)	(33)
R&D tax credits received	968	-
Tax paid	18	134
	274	1,108
Discontinued operations: Cash flows from operating activities	-	769
Net cash used in operating activities	(14,445)	(18,611)
Cash flows from investing activities		
Purchases of intangible assets	(955)	(11,380)
Purchases of property, plant and equipment (PPE)	(303)	(211)
Proceeds from sale of PPE and Intangible assets	15	1,127
Cash flows used in continuing operations - investing activities	(1,243)	(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	-	(64)
Net cash used by investing activities	(1,243)	(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 and issue costs)	1,794	11,029
Net cash generated by financing activities	19,650	11,029
Net increase / (decrease) in cash and bank overdrafts	3,962	(18,231)
Cash and cash equivalents at the beginning of the year	20,513	38,730
Exchange (losses)/ gains on cash and bank overdrafts	(6)	14
Cash and cash equivalents at the end of the year	24,469	20,513

Consolidated 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	-	(2,759)	-	(2,759)
Loss for the year	-	-	(29,590)	(29,590)
Total recognised income for the year	-	(2,759)	(29,590)	(32,349)
Employee share option scheme:				
- value of services provided	-	933	-	933
- proceeds from shares issued	250	-	-	250
Issue of share capital	10,779	-	-	10,779
Shares to be issued - previous year business combination	-	(83)	-	(83)
	11,029	850	-	11,879
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	-	862	-	862
Currency translation difference				
– being net income recognised directly in equity	-	780	-	780
Net income recognised directly in equity	-	1,642	-	1,642
Loss for the year	-	-	(17,348)	(17,348)
Total recognised income for the year	-	1,642	(17,348)	(15,706)
Employee share option scheme:				
- value of services provided	-	364	-	364
- proceeds from shares issued	1,524	-	-	1,524
- options exercised	213	(213)	-	-
Revaluation of owned shares held by ESOP	10	-	(10)	-
Shares to be issued - previous year business combination	-	(379)	-	(379)
Warrants Issued	-	479	-	479
Shares issued	650	-	-	650
	2,397	251	(10)	2,638
Balance at 31 December 2007	172,212	77,895	(214,330)	35,777

Selected notes to the financial information (unaudited)

1. Presentation of financial statements

The financial information set out in this unaudited preliminary statement does not comprise Prostrakan Group Plc's statutory accounts within the meaning of section 240(5) of the Companies Act 1985. The statutory accounts of Prostrakan Group Plc for the year ended 31 December 2007, currently unaudited and to be published in due course, will be finalised on the basis of the financial information presented by the Directors in this unaudited preliminary statement and will be delivered to the Registrar of Companies, in due course and will also be sent to shareholders.

Whilst the financial information included in this unaudited preliminary announcement has been computed in accordance with EU endorsed International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The company expects to publish full financial statements that comply with IFRSs in May 2008.

The financial information set out on this unaudited preliminary statement includes comparative figures that have been prepared on the same basis. The auditors have reported on the financial statements for the year ended 31 December 2006 which were prepared under IFRSs. Their report was unqualified and did not contain any statements under s237(2) or (3) Companies Act 1985.

This preliminary statement was approved by the Board on 12th March 2008.

2. Statement of Accounting policies

There have been no changes to the accounting policies during the year ended 31 December 2007, with the exception of the adoption of IFRS7 Financial Instruments: Disclosures.

3. Intangible assets

During the year £1.3 million of product rights acquired through business combinations in Spain and Germany in prior years, have been impaired.

4. Earnings per share

The calculation of basic earnings per ordinary share is based on the loss of £17,348,175 (£29,590,527) and on 200,875,834 ordinary shares (192,410,974) being the weighted average number of shares in issue.

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.

5. Segmental analysis

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.

	2007 £'000	2006 £'000
Revenue		
United Kingdom	23,857	20,665
European Union (excluding the UK)	17,075	15,025
Other countries	4,664	2,769
Continuing operations	45,596	38,459
Discontinued operations	–	118
	<u>45,596</u>	<u>38,577</u>

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

Total assets		
United Kingdom	8,092	30,443
European Union (excluding the UK)	32,533	25,060
Other countries	48,338	27,332
	<u>88,963</u>	<u>82,835</u>

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

Capital expenditure		
United Kingdom	222	161
European Union (excluding the UK)	168	225
Other countries	868	8,330
	<u>1,258</u>	<u>8,716</u>

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

Analysis of revenue by category		
Sales of goods	40,878	33,617
Revenue from services	–	1
Licensing income	4,555	4,715
Royalty income	163	126
Continuing operations	45,596	38,459
Discontinued operations	–	118
	<u>45,596</u>	<u>38,577</u>

6. Cash generated from operations

Continuing operations	2007 £'000	2006 £'000
Loss for the year		
Adjustments for:	(17,348)	(17,309)
- tax	(257)	(9)
- depreciation	261	240
- amortisation (including write-down of product rights)	3,786	3,944
- fair value of shares to be issued (previous year acquisition)	–	(83)
- loss on sale of property, plant and equipment (see below)	22	8
- net movement in provisions for liabilities and charges	216	147
- charges for share-based employee benefits	843	933
- finance income	(1,287)	(1,007)
- finance cost	2,758	33
- movement in fair value of warrants	(1,591)	–
- changes in working capital (excluding the effects of acquisition and exchange difference on consolidation):		
– inventories	(826)	(211)
– trade and other receivables	(2,040)	(1,690)
– trade and other payables	744	4,893
Cash outflow from operations	(14,719)	(10,111)
In the cash flow statement, proceeds from sale of property, plant and equipment comprise:		
Net book amount	37	9
Loss on sale of property plant and equipment	(22)	(8)
Proceeds from sale of property, plant and equipment	15	1
Discontinued operations		
	2007 £'000	2006 £'000
Loss for the year	–	(12,282)
Adjustments for:		
– tax	–	(598)
– depreciation	–	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	–	(31)
– net movement in provisions for liabilities and charges	–	(9)
– finance income	–	(329)
– finance cost	–	24
– changes in working capital (excluding the effects of acquisition and exchange difference on consolidation):		
– inventories	–	–
– trade and other receivables	–	244
– trade and other payables	–	(2,892)
Cash outflow from operations	–	(10,377)