PRESS RELEASE

12 March 2008

Synairgen plc

('Synairgen' or the 'Company')

Interim Results for the six months ended 31 December 2007

Synairgen plc (LSE: SNG), the drug discovery company focused on asthma and chronic obstructive pulmonary disease ('COPD'), today announces its interim results for the six months ended 31 December 2007.

Operational Highlights

- September 2007, exclusive licence and supply agreement signed with Rentschler Group for supply of novel formulation of interferon beta ('IFN-beta');
- Progression of preclinical and regulatory work on Rentschler IFN-beta formulation and delivery system in preparation for dual-centre Phase I safety study (SG004) in moderate asthmatics, anticipated commencement Q2 2008;
- SG004 designed to provide evidence that anti-viral system can be activated in asthma by delivery of inhaled IFN-beta; and
- Advancement of SNG-3, a biological designed to restore barrier function in asthma. Manufacturing process development commenced. Collaboration initiated with Wayne State University to test efficacy of the protein in an asthma-like *in vivo* model.

Financial highlights

- Research and development expenditure for the period: £1.02 million (2006: £0.67 million);
- Post tax loss for the period: £1.09 million (2006: loss of £0.73 million); and
- Net funds at 31 December 2007 of £5.13 million (31 December 2006: £6.74 million).

Commenting on the results, Simon Shaw, Chairman of Synairgen, said: *"This period has seen us continue to develop our novel lead programmes efficiently and at a level of cost which belies their enormous market potential. Our lean organisation enables us to devote maximum resources to the delivery of these projects whilst retaining a relatively low cash burn for this industry. We look forward, regulatory approval permitting, to commencing the next stage of our exciting interferon programme this year*."

-Ends-

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CHAIRMAN'S STATEMENT

OPERATING REVIEW

The first six months of the year have seen considerable operational progress particularly on our three lead programmes: IFN-beta to prevent common cold-induced exacerbations of asthma and COPD, and SNG-3, our protein designed to restore the lung's epithelial barrier function in asthma.

Candidate	Indication	Programme status		
		Discovery phase	Preclinical development	Clinical Phase I
IFN-beta (SNG-1)	Asthma			●
IFN-beta (SNG-2)	COPD			●
Barrier function protein (SNG-3)	Asthma		●	
Proteomics	Asthma	●		
Barrier function screen and lesion	Asthma	●		
Peptide delivery	Asthma	●		
Collaboration	Asthma	●		

IFN-beta for asthma and COPD
There is a great need for products that can help patients with lung disease defend themselves against viruses such as the common cold and influenza. The common cold virus is considered to be the greatest cause of hospitalisations for asthma, and has been similarly implicated in COPD. The anti-viral defence in asthmatic and COPD patients is recognised as deficient with particularly difficult consequences for the lungs. Research shows that low doses of IFN-beta significantly boost the anti-viral defences in asthmatic and COPD airway cell cultures. Synairgen is developing an inhaled formulation of IFN-beta for asthma and COPD.

Synairgen is working with an expert group of clinical teams around the world to commence proof of concept studies in asthma and COPD in late 2009 (SG005 and SG006 respectively). In these studies, asthmatics and 'healthy' smokers will be given a common cold and will be treated with either inhaled placebo or IFN-beta. During summer 2008 a clinical trial (SG007), in partnership with members of our expert group, will commence, which will further characterise/progress the common cold model in asthma – required for SG005. Also in 2008, in collaboration with the University of Southampton and the University of Athens, a study (SG008) will be initiated to investigate asthmatic patients admitted into hospital for virally-induced exacerbations. These patients are Synairgen's target market for the IFN-beta product.

From late 2006, it became clear that securing an exclusive patent-protected source of IFN-beta would enhance the attractiveness of the programme and expand the universe of potential partners. In September 2007, a significant milestone was achieved through our exclusive licence agreement with the Rentschler Group of Germany. Rentschler is a specialist international developer and manufacturer of biopharmaceuticals. It is collaborating with Synairgen to provide its novel patent-protected formulation of IFN-beta, analytical and regulatory services, and data to support use of its IFN-beta compound. This agreement also commits future supply of product on an exclusive basis.

Prior to commencing the proof of concept studies, we have to demonstrate the safety of inhaled IFN-beta. During the period, we have completed the analysis of the first single dose safety study of inhaled IFN-beta (SG003) and have prepared for our second study: a multiple dose study in moderate asthmatics (SG004). This preparation has included completion of a local tolerance study of the Rentschler formulation, optimisation of the Rentschler formulation with the delivery device, biomarker identification, and compilation of an IMPD (Investigational Medicinal Product Dossier).

In SG004 we will also seek to demonstrate, through the measurement of biomarkers, that we are successfully 'switching on' the anti-viral defence which is considered to be defective in asthma.

SG004 will be conducted at two sites in order to expedite the study timeline. The data from SG004 will be used to support the two proof of concept studies in asthma and COPD (SG005 and SG006).

It is Synairgen's intention to partner the IFN-beta programme with one of the major pharmaceutical companies that can complete the development of, and ultimately market, a product which represents a breakthrough, first-in-class compound. We have an ongoing dialogue with several large pharmaceutical companies in respect of the IFN-beta opportunity and keep them appraised of the status of the programme as we take it through the important early milestones.

Barrier function in asthma
The cells that line the lungs form a barrier that prevents unwanted particles in the air that we breathe from aggravating the sensitive underlying tissue. Using our models of human airway cultures we have shown this barrier to be defective in asthma. In particular, 'tight junction' proteins that normally 'knit' these cells together are poorly organised in asthma, making this barrier 'leaky'.

Using a patented screening assay (US patent granted February 2008), we have identified a protein (SNG-3) that reorganises and re-establishes the barrier without promoting unwanted structural changes in the lung. We have initiated the cGMP manufacturing steps for SNG-3 with Alpha Biologics, in preparation for an inhaled toxicology programme.

In parallel, we are collaborating with Professor David Bassett at Wayne State University (US) to test the protein in a murine model of poor barrier function, with results expected later this year. We hope to initiate a proof of mechanism clinical trial within two years.

Other activity
Synairgen's other programmes are designed to provide future candidates for development and these are progressing according to timescales and are achieving their objectives; not least of which is the discovery programme in conjunction with an unnamed biotechnology partner.

Our research is dependent upon the airway models of asthma and COPD which require a constant supply of fresh cells collected from the airways of our volunteers. During the period, we conducted our 200^{th} bronchoscopy; an achievement made possible through the hard work of the Synairgen team.

FINANCIAL REVIEW

Income statement
The operating loss for the six months ended 31 December 2007 was £1.42 million (2006: loss of £1.00 million). Research and development expenditure increased from £0.67 million to £1.02 million as the Company prepares for the forthcoming IFN-beta safety study in asthmatics using the Rentschler formulation and scales up its barrier function protein programme. Administrative costs increased from £0.37 million to £0.40 million. Interest receivable decreased from £0.17 million to £0.16 million on account of lower deposit balances. The increase in the tax credit from £0.09 million to £0.17 million reflects the higher level of expenditure that qualifies for UK research and development tax credits. The loss after tax was £1.09 million (2006: loss of £0.73 million) and the loss per share was 5.0p (2006: loss of 3.4p).

Balance sheet and cash flow
At 31 December 2007, net assets amounted to £5.20 million (31 December 2006: £7.11 million), including net funds of £5.13 million (2006: £6.74 million).

Cash outflow for the six months to 31 December 2007 was £0.89 million (six months ended 31 December 2006: £0.75 million).

Adoption of International Financial Reporting Standards ('IFRS')
The Company has adopted IFRS as adopted for use in the European Union on 1 July 2007. Comparative numbers in the financial information have been restated and a reconciliation of the previously reported UK GAAP information to that compiled under IFRS is shown in note 4 to the financial information.

OUTLOOK

Over the course of 2008 we expect to attain some significant milestones on our lead projects. Pending clinical trial approval for SG004, we will be commencing the first clinical trial of our lead compound in its target asthma population. In addition, through our collaboration with Wayne State University, we expect to see the first *in vivo* results of our barrier function-restoring protein SNG-3.

Simon Shaw
Chairman

Consolidated Income Statement (unaudited)
for the six months ended 31 December 2007

	Notes	**Six months ended 31 December 2007 £000**	Six months ended 31 December 2006 £000	Year ended 30 June 2007 £000
Revenue		**-**	54	78
Cost of sales		**-**	(15)	(33)
Gross profit		**-**	39	45
Research and development expenditure		**(1,016)**	(671)	(1,523)
Other administrative expenses		**(402)**	(366)	(750)
Total administrative expenses		**(1,418)**	(1,037)	(2,273)
Operating loss		**(1,418)**	(998)	(2,228)
Finance income		**159**	174	342
Finance expense		**-**	-	(1)
Loss before tax		**(1,259)**	(824)	(1,887)
Tax	2	**165**	91	247
Loss for the period attributable to equity holders of the parent		**(1,094)**	(733)	(1,640)
Loss per ordinary share				
Basic and diluted loss per share (pence)	3	**(5.04)p**	(3.38)p	(7.56)p

Consolidated Balance Sheet (unaudited)
as at 31 December 2007

	31 December 2007 £000	31 December 2006 £000	30 June 2007 £000
Assets			
Non-current assets			
Intangible assets	**107**	91	99
Property, plant and equipment	**131**	143	146
	238	234	245
Current assets			
Inventories	**90**	85	96
Current tax receivable	**150**	257	235
Trade and other receivables	**150**	164	132
Other financial assets	**4,359**	6,225	4,998
Cash and cash equivalents	**774**	526	1,020
	5,523	7,257	6,481
Total assets	**5,761**	7,491	6,726
Liabilities			
Current liabilities			
Trade and other payables	**(555)**	(369)	(462)
Obligations under finance leases	**(2)**	(3)	(2)
	(557)	(372)	(464)
Non-current liabilities			
Obligations under finance leases	**(6)**	(8)	(8)
Total liabilities	**(563)**	(380)	(472)
Total net assets	**5,198**	7,111	6,254
Equity			
Capital and reserves attributable to equity holders of the parent			
Share capital	**217**	217	217
Share premium	**8,903**	8,903	8,903
Merger reserve	**483**	483	483
Retained deficit	**(4,405)**	(2,492)	(3,349)
Total equity	**5,198**	7,111	6,254

Consolidated Cash Flow Statement (unaudited)
for the six months ended 31 December 2007

	Six months ended 31 December 2007 £000	Six months ended 31 December 2006 £000	Year ended 30 June 2007 £000
Cash flows from operating activities			
Loss before tax	**(1,259)**	(824)	(1,887)
Adjustments for:			
Finance income	**(159)**	(174)	(342)
Finance expense	**-**	-	1
Depreciation	**35**	28	60
Amortisation	**9**	4	14
Share-based payment	**38**	33	83
Cash flows from operations before changes in working capital	**(1,336)**	(933)	(2,071)
Decrease/(Increase) in inventories	**6**	(17)	(28)
(Increase)/Decrease in trade and other receivables	**(28)**	(2)	20
Increase in trade and other payables	**92**	12	105
Cash used in operations	**(1,266)**	(940)	(1,974)
Interest paid	**-**	-	(1)
Tax credit received	**250**	89	267
Net cash used in operating activities	**(1,016)**	(851)	(1,708)
Cash flows from investing activities			
Interest received	**170**	180	358
Purchase of property, plant and equipment	**(20)**	(14)	(49)
Purchase of intangible assets	**(17)**	(59)	(77)
Decrease in other financial assets	**639**	938	2,165
Net cash generated from investing activities	**772**	1,045	2,397
Cash flows from financing activities			
Repayments of obligations under finance leases	**(2)**	(2)	(3)
(Decrease)/Increase in cash and cash equivalents	**(246)**	192	686
Cash and cash equivalents at beginning of period	**1,020**	334	334
Cash and cash equivalents at end of period	**774**	526	1,020

Consolidated Statement of Changes in Equity (unaudited)

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total £000
At 1 July 2006	217	8,903	483	(1,792)	7,811
Loss for the period	-	-	-	(733)	(733)
Total recognised income and expense for the period	-	-	-	(733)	(733)
Recognition of share-based payments	-	-	-	33	33
At 31 December 2006	217	8,903	483	(2,492)	7,111
Loss for the period	-	-	-	(907)	(907)
Total recognised income and expense for the period	-	-	-	(907)	(907)
Recognition of share-based payments	-	-	-	50	50
At 30 June 2007	217	8,903	483	(3,349)	6,254
Loss for the period	-	-	-	(1,094)	(1,094)
Total recognised income and expense for the period	-	-	-	(1,094)	(1,094)
Recognition of share-based payments	-	-	-	38	38
At 31 December 2007	**217**	**8,903**	**483**	**(4,405)**	**5,198**

Notes to the Financial Statements
for the six months ended 31 December 2007

1. Basis of preparation

Basis of accounting
The interim financial statements, which are unaudited, have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union and also in accordance with the Companies Act 1985.

The interim financial statements do not include all of the information required for full annual financial statements and, accordingly, whilst the interim statements have been prepared in accordance with the transitional rules governing the move from UK GAAP to IFRS, they cannot be construed as being in full compliance with IFRSs.

Reconciliations between previously reported financial statements prepared under UK GAAP and on the basis as stated above are presented in note 4 to this Interim Statement in respect of the consolidated income statements for the year ended 30 June 2007 and the six months ended 31 December 2006, and for the consolidated balance sheets as at 1 July 2006, 31 December 2006 and 30 June 2007. No adjustments have been made for any changes in estimates made at the time of approval of the UK GAAP financial statements for the year ended 30 June 2007, or the interim statements for the period ended 31 December 2006, on which the IFRS financial information is based, as required by IFRS 1. In addition, restated figures in note 4 are based on current interpretations of IFRSs.

The Group financial statements are presented in Sterling.

The comparative figures for the twelve months ended 30 June 2007 do not constitute statutory accounts for the purposes of Section 240 of the Companies Act 1985. The results for the year ended 30 June 2007 and the balance sheet as at that date are abridged from the Company's Annual Report and Financial Statements 2007 (after adjustment for IFRS conversion), which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985. The 31 December 2007 statements were approved by a duly appointed and authorised committee of the Board of Directors on 11 March 2008. All financial information presented in these interim financial statements is unaudited.

A summary of the principal accounting policies is set out below:

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to the reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Business combinations that took place prior to 1 July 2006, the date of transition to IFRS, have not been restated as permitted by IFRS 1 "First-time Adoption of International Financial Reporting". The consolidated financial statements have been prepared using the merger method of accounting.

Revenue
Revenue is stated net of value added tax and is recognised when products or services are supplied, except in respect of long-term contracts where revenue represents the sales value of work done in the year and is calculated as that proportion of total contact value which costs incurred to date bear to total expected costs for that contract.

1. Basis of preparation (continued)

Research and development
All ongoing research expenditure is currently expensed in the period in which it is incurred. Due to the regulatory and other uncertainties inherent in the development of the Group's products, the criteria for development costs to be recognised as an asset, as set out in IAS 38 "Intangible Assets", are not met until a product has been submitted for regulatory approval and it is probable that future economic benefit will flow to the Group. The Group currently has no such qualifying expenditure.

Employee benefits
All employee benefit costs, notably holiday pay, bonuses and contributions to Group stakeholder or personal defined contribution pension schemes are charged to the consolidated income statement on an accruals basis.

Share-based payments
In accordance with IFRS 2 "Share-based Payment", option awards and awards made under the Group's Long-Term Incentive Plan ('LTIP') granted after 7 November 2002 which had not vested by 1 July 2006 are fair valued and charged to the consolidated income statement over the period from grant to vesting. The Group has valued option and LTIP awards using appropriate share valuation models. Options granted to non-employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument granted. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The credit for any charge is taken to equity.

Intangible assets
Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Patent and licence costs are amortised over ten years on a straight-line basis.

Property, plant and equipment
Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value over their expected useful lives, which are as follows:

Computer equipment	3 years
Laboratory and clinical equipment	5 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Inventories
Inventories are stated at the lower of cost and net realisable value.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
Trade and other receivables
Trade receivables are recognised and carried at original invoiced amount less provision for impairment.

Other financial assets
Other financial assets comprise short-term deposits not meeting the IAS 7 definition of a cash equivalent and are treated as loans and receivables and are measured at amortised cost.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term bank deposits with a maturity period of three months or less from the date of initial deposit.

1. Basis of preparation (continued)

Financial instruments (continued)
Financial liabilities
Trade payables
Trade payables are not interest-bearing and are recognised and carried at amortised cost.

Leased assets
Where substantially all of the risks and rewards incidental to ownership of a leased asset have transferred to the Group (a ‘finance lease’), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an ‘operating lease’), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term.

Deferred taxation
Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the balance sheet date except for differences arising on:

- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference could not reverse in the foreseeable future; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Foreign currencies
Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the consolidated income statement.

2. Tax

The tax credit of £165,000 (six months ended 31 December 2006: £91,000; year ended 30 June 2007: £247,000) is an estimate of the research and development tax credit receivable in respect of the period.

3. Loss per ordinary share

	Six months ended 31 December 2007	Six months ended 31 December 2006	Year ended 30 June 2007
Loss attributable to equity holders of the Company (£000)	**(1,094)**	(733)	(1,640)
Weighted average number of ordinary shares in issue	**21,692,308**	21,692,308	21,692,308

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33. At 31 December 2007 there were 2,836,738 options outstanding (31 December 2006: 2,411,371 options outstanding; 30 June 2007: 2,404,939 options outstanding).

4. Reconciliation of UK GAAP to IFRS

The tables of the following pages show the reconciliations of the consolidated income statements for the six months ended 31 December 2006 and the year ended 30 June 2007, and the consolidated balance sheets as at 31 December 2006, 30 June 2007 and 1 July 2006 (opening balances as at date of transition).

Consolidated Income Statements

	Ref	UK GAAP Six months ended 31 Dec 2006 £000	Adj. £000	IFRS Six months ended 31 Dec 2006 £000	UK GAAP Year ended 30 Jun 2007 £000	Adj. £000	IFRS Year ended 30 Jun 2007 £000
Revenue		54	-	54	78	-	78
Cost of sales		(15)	-	(15)	(33)	-	(33)
Gross profit		39	-	39	45	-	45
Research and development expenditure	(i)	(682)	11	(671)	(1,527)	4	(1,523)
Other administrative expenses	(i)	(368)	2	(366)	(750)	-	(750)
Total administrative expenses		(1,050)	13	(1,037)	(2,277)	4	(2,273)
Operating loss		(1,011)	13	(998)	(2,232)	4	(2,228)
Finance income		174	-	174	342	-	342
Finance expense		-	-	-	(1)	-	(1)
Loss before tax		(837)	13	(824)	(1,891)	4	(1,887)
Tax		91	-	91	247	-	247
Loss for the period attributable to equity holders of the parent		(746)	13	(733)	(1,644)	4	(1,640)

(i) Movement on holiday pay accrual as established under IAS 19.

4. Reconciliation of UK GAAP to IFRS (continued)

Consolidated Balance Sheets

	Ref	UK GAAP 31 Dec 2006 £000	Adj. £000	IFRS 31 Dec 2006 £000	UK GAAP 30 Jun 2007 £000	Adj. £000	IFRS 30 Jun 2007 £000	UK GAAP 30 Jun 2006 £000	Adj. £000	IFRS 30 Jun 2006 £000
Assets										
Non-current assets										
Intangible assets		91	-	91	99	-	99	36	-	36
Property, plant and equipment		143	-	143	146	-	146	157	-	157
		234	-	234	245	-	245	193	-	193
Current assets										
Inventories		85	-	85	96	-	96	68	-	68
Current tax receivable		257	-	257	235	-	235	255	-	255
Trade and other receivables		164	-	164	132	-	132	168	-	168
Other financial assets	(i)	6,624	(399)	6,225	5,903	(905)	4,998	7,464	(301)	7,163
Cash and cash equivalents	(i)	127	399	526	115	905	1,020	33	301	334
		7,257	-	7,257	6,481	-	6,481	7,988	-	7,988
Total assets		7,491	-	7,491	6,726	-	6,726	8,181	-	8,181
Liabilities										
Current liabilities										
Trade and other payables	(ii)	(356)	(13)	(369)	(440)	(22)	(462)	(331)	(26)	(357)
Obligations under finance leases		(3)	-	(3)	(2)	-	(2)	(3)	-	(3)
		(359)	(13)	(372)	(442)	(22)	(464)	(334)	(26)	(360)
Non-current liabilities										
Obligations under finance leases		(8)	-	(8)	(8)	-	(8)	(10)	-	(10)
Total liabilities		(367)	(13)	(380)	(450)	(22)	(472)	(344)	(26)	(370)
Total net assets		7,124	(13)	7,111	6,276	(22)	6,254	7,837	(26)	7,811
Equity										
Capital and reserves attributable to equity holders of the parent										
Share capital		217	-	217	217	-	217	217	-	217
Share premium		8,903	-	8,903	8,903	-	8,903	8,903	-	8,903
Merger reserve		483	-	483	483	-	483	483	-	483
Share-based payment reserve	(iii)	113	(113)	-	163	(163)	-	80	(80)	-
Retained deficit	(iv)	(2,592)	100	(2,492)	(3,490)	141	(3,349)	(1,846)	54	(1,792)
Total equity		7,124	(13)	7,111	6,276	(22)	6,254	7,837	(26)	7,811

(i) Other financial assets excludes short-term deposits with a maturity period of three months or less from the date of initial deposit, which in accordance with IAS 7 are included within cash and cash equivalents.
(ii) Accrual for holiday entitlement not yet taken established under IAS 19.
(iii) Transfer of share-based payment reserve into retained deficit.
(iv) The combined effect of (ii) and (iii) above.

INDEPENDENT REVIEW REPORT TO SYNAIRGEN PLC

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 which comprises the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 4.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Southampton
11 March 2008