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ALLIANCE PHARMA PLC
(“Alliance” or “Alliance Pharma” or “the Group”)

Preliminary results for the year ended 31 December 2008

Alliance Pharma plc (AIM: APH), the speciality pharmaceutical company, is pleased to announce its preliminary results for the year ended 31 December 2008.

Financial Highlights

- Sales up 20% to £21.8m (2007: £18.2m)
- Operating profit up 76% to £6.4m (2007: £3.6m before exceptional items)
- Pre-tax profit six-fold increase to £2.4m (2007: £0.4m before exceptional items)
- Adjusted EPS five-fold increase to 1.17p (2007: 0.23p)
- Cash generated from operations up 28% to £5.2m (2007: £4.1m)
- Dividend expected to commence within the next year

Operational Highlights

- Hydromol® sales growth of 38%
- Sales of Deltacortril® doubled on improved production volumes
- Acquisition of Pavacol-D® in August 2008
- Successful first full year in China - underlying sales of Forceval® up 11%
- Over £1m of annual cost savings successfully delivered

Commenting on the results, Michael Gatenby, Alliance’s Chairman, said: “We have established a new level of profitability in the business, which has created an exciting platform for our future growth. The current year has started well and, earlier this month, we were particularly pleased to welcome MVM Life Science Partners to our Board and shareholder register. We look forward to the coming year with great confidence.”

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Business Review

The resilience of our portfolio produces another record year

Overview

Alliance Pharma has now delivered its third successive half-year of much improved profitability since the restructuring and strategic changes announced in 2007. Sales, profits and cash generation all reached record levels in 2008 in a very encouraging year for the Group.

These results reflect the resilience of the Group's portfolio, which, by being predominately prescription driven, is highly resistant to recessionary pressures. It also benefits from the continuing success of our dermatology strategy – spearheaded by the promotion of the Hydromol® range of products for eczema and other dry skin conditions.

As a result of this strengthening financial performance, we have decided that the business is now reaching the appropriate point in its development to commence paying a dividend.

Financial performance

Throughout the year the Group achieved strong sales growth with steady margins, well controlled costs and solid cash generation.

Turnover was up 20% on the previous year to £21.8m. Sales benefited from the continuing success of the Hydromol® range, the build up of Deltacortril® to higher production levels, the benefits of both volume growth and a favourable euro exchange rate on our sales of Nu-Seals® in Ireland, and the growth of Forceval® in China.

Gross margins benefited from product mix effects together with foreign exchange gains and were 51.2%, up from 49.0% the previous year. We expect underlying margins to remain broadly steady at around 50%. We are experiencing some modest cost pressure from suppliers, but have a programme of efficiency improvements to help offset it.

Operating costs remain well controlled, and the restructuring in mid-2007 has successfully delivered more than £1m per annum of cost savings.

The outcome of the strong sales growth and the containment in operating costs is that operating profit grew to £6.4m, an increase of 76% over the previous year's pre-exceptional figure of £3.6m.

Pre-tax trading profit was ahead of expectations at £2.4m – a major advance on the previous year's £0.4m pre-exceptional trading profit. We also benefited from £0.6m received from HM Revenue & Customs following our successful claim for tax credits relating to R&D costs in previous years.

With the business now firmly restored to profit, we have begun paying down debt to reduce finance costs. During the year we made debt repayments totalling £1.9m. Further details are provided in the Financial Review.

Trading

Our 20% sales growth during the year was led by good performances from both promoted and non-promoted brands.

Sales of the Hydromol® range of emollients, which is used in eczema and other dry skin conditions, increased by £0.6m to £2.2m. This reflected the success of our targeted marketing approach, communicating with the appropriate healthcare professionals in a cost-effective manner, and the strong brand loyalty from existing customers.

Deltacortril®, our treatment for inflammatory and auto-immune conditions, doubled sales to £2m as we resolved issues that had constrained production in 2007 and the early part of 2008. The improved production meant that sales were significantly higher in the second half than in the first; 2009 should benefit from a full year of sales at these higher volumes, assuming no significant changes in the market.

Nu-Seals®, low-dose aspirin for prevention of heart attacks and strokes, which is our single largest brand, grew by 30%. This was partly due to favourable currency effects, as the majority of the brand's sales are in the Republic of Ireland and therefore benefited from the rising value of the euro against sterling.

Forceval®, the multi-mineral, multi-vitamin product which is sold in the UK, China and a number of other international markets, now constitutes £3.4m of Alliance's sales. After acquiring the rights to Forceval® in China in April 2007, the joint venture we established with a local Chinese distributor completed its first full year of sales in 2008. Buoyed by underlying growth of around 11%, our share of the joint venture sales was £1.4m. Our experience in China so far has been encouraging, but the pace of sales growth may be reduced by the slowdown in economic expansion there. Any decline in consumer confidence could affect Forceval® sales in China, as patients pay for the product themselves.

Our acquisition in August 2008 of Pavacol-D®, the cough suppressant that is suitable for diabetic patients, made its first contribution of £0.3m sales in the second half.

We also saw 18% growth in sales of Symmetrel® to £1.7m, despite having had no promotion for the past three years. As a result of previous promotional campaigns, Symmetrel® is a well recognised and established treatment for Parkinson's disease.

The strong trading performance is an endorsement of our past acquisition selections, coupled with our highly targeted approach to brand promotion.

The UK's new Pharmaceutical Price Regulation Scheme (PPRS), which sets the framework for drug pricing to the National Health Service, came into force at the start of 2009. We expect it to have an impact equivalent to reducing this year's sales by £0.3m, and smaller changes in 2010 through to 2013. However on the positive side, it does provide us with relative certainty on the pricing front over its five-year duration.

Development projects

In May 2008 we announced a regulatory delay to the development of Isprelor®, for induction of labour. Although the 2007 Phase III clinical trials confirmed that Isprelor® has similar effectiveness to the current standard treatment, the regulators asked for more work to be done. We are currently planning and costing the final stages of development and are actively engaging with potential funding partners. The remaining development work is likely to take around three years.

We are also continuing to talk with potential development partners for Posidorm®, our melatonin treatment for sleep disorders.

We are now restricting our own investment in development projects to very modest levels, which is why we are looking for partners to help fund the remaining work on Isprelor® and Posidorm®.

Strategy

Since mid-2007, we have focused on profitability and cash generation, sharply reducing expenditure on our development projects and confining marketing investment to those products that will clearly deliver a strong return in increased sales.

The tightly targeted sales investment strategy has proved its worth. The majority of our products were originally selected for their established demand and cash flows, and they have maintained overall sales levels without needing any sales support. This has enabled us to focus investment on our dermatology portfolio, and Hydromol has responded with sales growth of 38% in 2008. Given this success and our improving cash position, we are making a modest increase in the investment behind Hydromol® in 2009. We are also seeking to take full advantage of our strength in this area by extending the range.

We will continue to focus management attention on products with growth potential. One product that has grown substantially during 2008 is Deltacortril®; this has been facilitated by increased production capacity during the year. We aim to capitalise further on this improved capacity in 2009.

We are still seeing a steady flow of opportunities to acquire new brands for our non-promoted portfolio, which is the core of the business. The brands within this core are very well established with prescribers who continue to use them because they are clinically effective and offer very good value. As always, we are applying particularly stringent criteria to possible acquisitions and will only consider products that can make a positive profit contribution.

Dividend

We expect to be able to announce the commencement of modest dividend payments within the next year. This conclusion has been reached after careful scrutiny of our cash generation capabilities, the resources required to maintain the growth of the business and the scheduled debt repayments, so that a sustainable and growing level of dividend can be comfortably funded.

People

We have strengthened the management team with two senior appointments. Dr David Yau joined the Group in May 2008 as Production and Technical Director. Dr Margaret Boulton joined in February 2009 as Regulatory Affairs and Quality Compliance Director. They bring considerable industry experience to these two critical areas.

Post the year-end, we were delighted to welcome MVM Life Science Partners LLP as a new shareholder and Thomas Casdagli, a partner of MVM, to the Company's Board. Thomas brings substantial experience of the healthcare sector.

2008 has been the most successful year in the Group's history. This was not achieved overnight: it is the result of many people's hard work and determination, overcoming a range of challenges year after year. We thank them all for what they have achieved.

Charitable donations

As a pharmaceutical business, we recognise the universal need for healthcare and accept a responsibility to help those who cannot help themselves. In 2008 we began supporting International Health Partners (IHP), an organisation founded in 2004 to make up kits of commonly needed drugs and distribute them to doctors in the world's most needy areas. IHP has identified Deltacortril® and Alphaderm® as valuable additions to its portfolio, and we made our first donations of these products in the past few months. This year we plan to donate some £20,000 of stock to IHP's programmes.

Outlook

Overall, demand for our products is not being affected by the current economic downturn. The NHS is our main customer and, although prescribers are under continual pressure to cut costs, they will not withhold cost-effective treatment from their patients. Our products have stood the test of time and deliver very good value for money; therefore they remain favoured by prescribers.

We have established a new level of profitability within the business. Our growth in the dermatology area and the reduction of interest payments as debt is paid down will continue this trend. We believe this momentum can be accelerated if the right acquisition targets present themselves. In this regard, MVM coming on board as an investor that is keen to assist in the future expansion of the business is a very welcome development.

Financial Review

Turnover

For the eighth year in a row, Alliance has delivered record sales. Turnover in 2008 was £21.8m, up 20% on the previous year (2007: £18.2m). The compound annual growth rate over the past five years is 16%, of which 6% has been organic growth.

Of the additional £3.6m of sales in the year, £1.2m came from a doubling in Deltacortril® sales as the benefits of improved production capacity fed through. Nu-Seals® in the Republic of Ireland contributed £1.0m to the growth, of which £0.5m was due to sterling being weaker against the euro. Hydromol® sales grew by £0.6m to £2.2m, driven by promotional activity. Our share of sales of Forceval® to China grew by £0.5m to £1.4m, with underlying sales growth of 11%. Additionally, Pavacol-D®, the brand we acquired in August 2008, contributed £0.3m.

The brands that we have not been promoting have very stable sales because the products are well-established and well known by prescribers. Indeed, like-for-like sales of these brands have grown at an average rate of around 3% per annum over the past few years.

Profit and other Key Performance Indicators

The gross margin for the year was 51.2%, compared with 49.0% in 2007. Part of the improvement in margin was due to product mix effects, and part was due to exchange translation gains on euro-denominated working capital balances in 2008.

Following the reductions in operating expenses implemented mid-2007, costs have been kept under tight control. Operating expenses in the year were £4.8m, £0.5m lower than 2007 and more than £1m lower than the run-rate before the restructuring in mid-2007.

As a result of the improved sales, better margins and tight control of costs, operating profit for 2008 was 76% higher at £6.4m, compared with £3.6m before exceptional costs in 2007.

Financing costs

Net financing costs for 2008 were £3.9m (2007: £3.2m). Most of the increase was due to the 23% weakening of sterling against the euro in 2008, which led to a £0.7m cost on re-translation of the euro-denominated bank loans against a £0.2m cost in 2007. This translation cost was largely offset by a £0.5m gain on euro-denominated working capital balances, which was recognised within gross margins.

Net interest payable was £3.1m, £0.2m higher than 2007 as a result of the expiry in early 2008 of an interest rate swap.

Taxation
During the year claims were made for Research & Development tax credit rebates relating to previous years. This generated £0.6m of cash rebates, of which £0.4m was received during the year and the balance since the year end.

A £0.2m current tax charge arose in 2008 on the income to the Group from the Chinese joint venture, and there was a £0.4m deferred tax charge.

As the Group still has substantial unrelieved tax losses the Group does not expect to be paying corporation tax on its non-China trading profits for some time, but it is likely that there will be non-cash deferred tax charges in the meantime.

Earnings per share
Basic EPS for 2008 was 1.55p, a complete turnaround from the 1.98p loss recorded in the previous year. The underlying measure of adjusted basic EPS, excluding the one-off tax credits, was 1.17p (2007: 0.23p), a five-fold improvement.

Cash flow
Cash flow from operations increased 28% from £4.1m to £5.2m, reflecting the substantial improvement in profitability. In addition £0.4m of tax rebates were received.

The amount reinvested in development projects was just £0.1m compared with £0.8m the previous year. During the year £0.4m of deferred consideration was paid for Deltacortril® and Atarax®. The purchase cost of Pavacol-D® was £0.6m, which was part-funded from internal funds and part-funded by a small additional term loan.

Following the refinancing in 2007, scheduled repayments on the term loans commenced in 2008, with £1.9m being repaid during the year.

Intangible assets
As a result of the Pavacol-D® acquisition in August 2008, intangible assets in respect of product licences increased by £0.6m to £37.2m. In addition, there is £2.7m on the balance sheet for Isprelor® development costs (2007: £2.6m).

Working Capital
Stock value at the year end was £2.3m, compared with £1.9m the previous year when stock levels were unusually low. Trade receivables were £5.8m at the year end, compared with £4.1m the previous year, with the increase due to strong sales at the end of 2008 and re-translation of the euro debtors at the year end rate. Trade payables were also higher at £2.6m (2007: £2.2m), reflecting the growth in the business.

Funding and risk management

The sterling equivalent value of the euro-denominated loans increased by £0.7m because of the substantial exchange rate movement in the year. With the scheduled repayments of £1.9m and a new £0.4m loan drawn to fund the acquisition of Pavacol-D®, total term loans outstanding at the end of 2008 were £22.8m, compared with £23.5m in 2007.

The Group is securely financed for the medium term. The term loans currently run to the end of 2012, giving the Group plenty of time before it needs to address refinancing. The scheduled repayments on the loans are approximately £2.5m per annum in the meantime, which are expected to be quite manageable, and there is a £3m working capital facility in place, providing comfortable headroom against day-to-day needs.

The Board remains confident that all the bank covenants will continue to be met. One requirement is for cash generation to exceed debt servicing. Recent reductions in interest rates have further enhanced the headroom on this measure. With the bank debt:EBITDA ratio currently at 3.6, there is comfortable headroom against the covenant limit, and the ratio is set to improve considerably over the next year.

The Group uses interest rate swaps to reduce the risk arising from changes in interest rates and the Convertible Unsecured Loan Stock is at a fixed coupon. A new 3-year swap was put in place in December 2008 to lock in some of the large reductions in interest rates. Around 70% of the net debt is now subject to fixed interest rates.

Around 10% of the debt is denominated in euros as a hedge against the currency risk on revenues from the Republic of Ireland and mainland Europe.

Other principal risks and uncertainties are discussed in the Business Review.

Consolidated Income Statement

	Note	Year ended 31 December 2008	Year ended 31 December 2007
		£ 000s	£ 000s
Revenue		**21,757**	18,224
Cost of sales		**(10,612)**	(9,291)
Gross profit		**11,145**	8,933
Operating expenses			
Administration and marketing expense		**(4,740)**	(5,333)
Share-based employee remuneration		**(36)**	10
		(4,776)	(5,323)
Operating profit before exceptional items		**6,369**	3,610
Exceptional items	5	**-**	(3,576)
Operating profit		**6,369**	34
Finance costs			
Interest paid	2	**(3,088)**	(2,859)
Interest income	2	**21**	17
Other finance costs	2	**(861)**	(372)
Change in fair value of derivative financial instruments	2	**(17)**	(30)
	2	**(3,945)**	(3,244)
Profit/(loss) on ordinary activities before taxation		**2,424**	(3,210)
Taxation	3	**87**	-
Profit/(loss) for the year attributable to equity shareholders		**2,511**	(3,210)
Earnings per share			
Basic (pence)	4	**1.55**	(1.98)
Diluted (pence)	4	**1.49**	(1.98)
Adjusted basic (pence)	4	**1.17**	0.23

Consolidated Balance Sheet

	Note	**31 December 2008**	**31 December 2008**	31 December 2007	31 December 2007
	Note	**£ 000s**	**£ 000s**	£ 000s	£ 000s
Assets					
Non-current assets					
Intangible assets					
- Product licences	6	**37,237**		36,601	
- Development costs	6	**2,713**		2,559	
Property, plant and equipment		**161**		254	
Deferred tax		**70**		-	
			40,181		39,414
Current assets					
Inventories		**2,265**		1,881	
Trade and other receivables	7	**6,382**		4,439	
Cash and cash equivalents		**4**		672	
			8,651		6,992
Total assets			**48,832**		46,406
Equity					
Ordinary share capital		**1,621**		1,621	
Share premium account		**11,275**		11,275	
Share option reserve		**91**		55	
Reverse takeover reserve		**(329)**		(329)	
Other reserve		**(994)**		(546)	
Retained earnings		**(2,899)**		(5,410)	
Total equity			**8,765**		6,666
Liabilities					
Non-current liabilities					
Long term financial liabilities		**20,487**		21,772	
Convertible debt		**7,292**		7,251	
Other liabilities		**100**		520	
Derivative financial instruments		**1,012**		431	
Deferred tax liability		**34**		-	
			28,925		29,974
Current liabilities					
Cash and cash equivalents		**2,451**		3,062	
Financial liabilities		**2,295**		1,716	
Trade and other payables	8	**5,849**		4,873	
Corporation tax		**178**		-	
Derivative financial instruments		**369**		115	
			11,142		9,766
Total liabilities			**40,067**		39,740
Total equity and liabilities			**48,832**		46,406

Consolidated Statement of Changes in Shareholders' Equity

	Ordinary share capital £ 000s	Share premium account £ 000s	Share option reserve £ 000s	Reverse takeover reserve £ 000s	Other reserve £ 000s	Retained earnings £ 000s	Total equity £ 000s
Balance at 1 January 2008	1,621	11,275	55	(329)	(546)	(5,410)	6,666
Interest rate swap – cash flow hedge	-	-	-	-	(835)	-	(835)
Deferred tax on interest rate swap					387		387
Net expense recognised directly in equity	-	-	-	-	(448)	-	(448)
Profit for the year	-	-	-	-	-	2,511	2,511
Total recognised income and expense for the year	**-**	**-**	**-**	**-**	**(448)**	**2,511**	**2,063**
Employee benefits	-	-	36	-	-	-	36
Balance at 31 December 2008	**1,621**	**11,275**	**91**	**(329)**	**(994)**	**(2,899)**	**8,765**
Balance at 1 January 2007	1,621	11,275	65	(329)	-	(2,200)	10,432
Interest rate swaps – cash flow hedge	-	-	-	-	(546)	-	(546)
Net expense recognised directly in equity	-	-	-	-	(546)	-	(546)
Loss for the year	-	-	-	-	-	(3,210)	(3,210)
Total recognised income and expense for the year	-	-	-	-	**(546)**	**(3,210)**	**(3,756)**
Employee benefits	-	-	(10)	-	-	-	(10)
Balance at 31 December 2007	**1,621**	**11,275**	**55**	**(329)**	**(546)**	**(5,410)**	**6,666**

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2008	Year ended 31 December 2007
		£ 000s	£ 000s
Cash flows from operating activities			
Cash generated from operations	9	5,211	4,064
Tax refund		441	-
Cash flows from operating activities		5,652	4,064
Investing activities			
Interest received		21	106
Payment of deferred consideration		(420)	(220)
Development costs capitalised		(98)	(776)
Purchase of property, plant and equipment		(38)	(100)
Proceeds from sale of intangible asset		45	
Proceeds from sales of property, plant and equipment		-	13
Purchase of other intangible assets		(636)	(2,156)
Net cash used in investing activities		(1,126)	(3,133)
Financing activities			
Interest paid and similar charges		(3,036)	(2,361)
Loan issue costs		-	(303)
Transfer from subsidiary undertakings		-	-
Receipt from borrowings		400	1,950
Repayment of borrowings		(1,947)	-
Net cash received (used in)/from financing activities		(4,583)	(714)
Net movement in cash and cash equivalents		(57)	217
Cash and cash equivalents at the beginning of the period		(2,390)	(2,607)
Cash and cash equivalents at the end of the period		(2,447)	(2,390)

1. Basis of preparation

The financial information set out in the announcement does not constitute the group's statutory accounts for the years ended 31 December 2008 or 31 December 2007. The financial information for the year ended 31 December 2007 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies as published on the group's website on 22 April 2008. The auditors reported on those accounts; their report was unqualified and did not contain a statement under s.237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 31 December 2008 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement. They have not yet been delivered to the Registrar of Companies nor have the auditors reported on them.

2. Finance costs

	Year ended 31 December 2008 £ 000s	Year ended 31 December 2007 £ 000s
Interest payable and similar charges		
On loans and overdrafts	(3,088)	(2,858)
Finance lease interest	-	(1)
	(3,088)	(2,859)
Interest income	21	17
Other finance charges		
Foreign exchange movement on long-term euro denominated debt	(704)	(218)
Amortised finance issue costs	(157)	(154)
	(861)	(372)
Change in fair value of derivative financial instruments	(17)	(30)
Finance costs – net	(3,945)	(3,244)

3. Taxation

	Year ended 31 December 2008 £ 000s	Year ended 31 December 2007 £ 000s
United Kingdom corporation tax at 28% (2007: 30%)		
In respect of current period	(178)	-
Adjustment in respect of prior periods	616	-
Deferred tax		
Origination and reversal of temporary differences	(351)	-
Taxation	87	-

4. Earnings per share (EPS)

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

A reconciliation of the weighted average number of ordinary shares used in the measures is given below:

	Year ended 31 December 2008	Year ended 31 December 2007
For basic EPS calculation	162,061,774	162,061,774
Conversion of Convertible Unsecured Loan Stock (CULS)	35,714,286	-
For diluted EPS calculation	197,776,060	162,061,774

The adjusted basic EPS is intended to demonstrate recurring elements of the results of the Group before exceptional items. A reconciliation of the earnings used in the different measures is given below:

	Year ended 31 December 2008 £ 000s	Year ended 31 December 2007 £ 000s
Earnings for basic EPS	2,511	(3,210)
Exceptional items	-	3,576
Research and development tax credit	(616)	-
For adjusted EPS	1,895	366
Earnings for basic EPS	2,511	(3,210)
Interest saving on conversion of CULS	600	-
Tax effect of interest saving on conversion of CULS	(168)	-
Earnings for diluted EPS	2,943	(3,210)

The resulting EPS measures are:

	Year ended 31 December 2008 Pence	Year ended 31 December 2007 Pence
Basic EPS	1.55	(1.98)
Diluted EPS	1.49	(1.98)
Adjusted basic EPS	1.17	0.23

5. Exceptional items

	Year ended 31 December 2008 £ 000s	Year ended 31 December 2007 £ 000s
Posidorm® impairment charge	-	3,374
Restructuring costs	-	202
	-	3,576

In the absence of confirmed funding to complete the Posidorm® development, development costs that had been capitalised in relation to the project were written off in 2007. The restructuring costs arose out of the strategic review conducted mid-2007.

6. Intangible assets

	Goodwill on consolidation £ 000s	Other £ 000s	Subtotal of product licences £ 000s	Development costs £ 000s	Total £ 000s
Cost					
At 1 January 2008	1,144	35,457	36,601	6,053	42,654
Additions	-	636	636	154	790
At 31 December 2008	**1,144**	**36,093**	**37,237**	**6,207**	**43,444**
Amortisation and impairment					
At 1 January 2008	-	-	-	3,494	3,494
At 31 December 2008	-	-	-	3,494	3,494
Net book amount					
At 31 December 2008	**1,144**	**36,093**	**37,237**	**2,713**	**39,950**
At 1 January 2008	1,144	35,457	36,601	2,559	39,160

	Goodwill on consolidation £ 000s	Other £ 000s	Subtotal of product licences £ 000s	Development costs £ 000s	Total £ 000s
Cost					
At 1 January 2007	1,129	33,316	34,445	5,137	39,582
Additions	15	2,141	2,156	916	3,072
At 31 December 2007	**1,144**	**35,457**	**36,601**	**6,053**	**42,654**
Amortisation and impairment					
At 1 January 2007	-	-	-	120	120
Impairment charge	**-**	**-**	**-**	3,374	3,374
At 31 December 2007	**-**	**-**	**-**	**3,494**	**3,494**
Net book amount					
At 31 December 2007	**1,144**	**35,457**	**36,601**	**2,559**	**39,160**
At 1 January 2007	1,129	33,316	34,445	5,017	39,462

7. Trade and other receivables

	31 December 2008 £ 000s	31 December 2007 £ 000s
Trade receivables	5,868	4,102
Other receivables	258	107
Prepayments and accrued income	186	230
Amounts owed by joint venture	70	-
	6,382	4,439

8. Trade and other payables - current

	31 December 2008 £ 000s	31 December 2007 £ 000s
Trade payables	2,553	2,151
Other taxes and social security costs	653	352
Accruals and deferred income	2,223	1,930
Amount owed to joint venture	-	20
Other payables	420	420
	5,849	4,873

9. Cash generated from operations

	Year ended 31 December 2008	Year ended 31 December 2007
	£ 000s	£ 000s
Result for the period before tax	2,424	(3,210)
Interest paid	3,088	2,859
Interest income	(21)	(17)
Other finance costs	861	372
Change in fair value of derivative financial instruments	17	30
Depreciation of property, plant and equipment	131	138
Change in inventories	(384)	971
Profit on disposal of intangible assets	(45)	-
Profit on disposal of fixed assets	-	(8)
Change in trade and other receivables	(1,768)	785
Change in trade and other payables	872	(1,220)
Write-off intangible assets	-	3,374
Share options charges	36	(10)
Cash flows from operating activities	5,211	4,064