



18th March, 2008

Intercytex Group plc Positive clinical data continues to be generated across product portfolio

Intercytex Group plc (LSE: ICX) today announces its results for the year ended 31 December 2007. The Company also reports new clinical data on all of its regenerative medicine products; VAVELTA[®], ICX-PRO, ICX-SKN and ICX-TRC.

Intercytex is the leading developer of regenerative medicine products to restore skin and hair. The Company uses its fully integrated cell technology platform to develop living, human cell-based products, at commercially viable scale in attractive markets.

PRODUCT HIGHLIGHTS

VAVELTA[®] - facial rejuvenation and skin damage

- Positive responses with some exceptional results being generated from field trials of VAVELTA conducted by the Clinical Practice Group
- High clinician and patient satisfaction scores from three/six month data in facial rejuvenation and acne scarring Phase II trials - underlines potential of VAVELTA in rapidly growing markets
- First revenues mid-2008 with commercial roll-out in UK during H2 2008
- Phase II trial in burns contractures open to recruitment

ICX-PRO (cyzact[®]) - chronic wounds

- Phase II data from diabetic foot ulcer trial of ICX-PRO shows very high healing rates
- Recruitment in Phase III trial in venous leg ulcers on track for completion in Q2 with over 350 patients randomised to date, in line with previous guidance.

ICX-SKN - skin grafts for acute wounds

- Data announced in June 2007 highlighted first artificial living skin graft to demonstrate full, consistent wound integration and persistence - a landmark in regenerative medicine
- Follow up Phase I extension study shows continued integration of ICX-SKN at 3 months in all 6 subjects, with no evidence of rejection or wound breakdown
- Phase II trial in basal-cell skin carcinoma excisions to commence in H2 2008

ICX-TRC - hair regeneration

- Three and six month data from Phase II trial shows increase in hair count
- Larger data set available in H2 2008

CORPORATE AND FINANCIAL HIGHLIGHTS

- Placing of new shares in May 2007 raised £12m gross
- Comprehensive supply agreement signed with Baxter Healthcare for use of Tisseel® in ICX-PRO and ICX-SKN
- Milestone payment of US\$200,000 received from Bosley under ICX-TRC option
- Loss before tax for the year of £11.63m (2006: £9.23m)
- Cash and cash equivalents and liquid investments at 31 December 2007 of £12.50m (2006: £10.99m)

Nick Higgins, CEO of Intercytex, commented: *“Regenerative medicine, the restoration and repair of human tissues and organs, has the potential to revolutionise the treatment of patients. We now have a maturing portfolio of assets focused on skin and hair all demonstrating exciting clinical efficacy in large and growing markets. As the data continues to be reported for each of our products with highly encouraging results, it underscores the potential of our technology and the value of Intercytex in the rapidly developing field of regenerative medicine.”*

There will be an analyst meeting to discuss the results today at 9.30am at the offices of Financial Dynamics at Holborn Gate, 26 Southampton Buildings, WC2A 1PB. For those unable to attend, there will be a live audio conference call, please call Claire Rowell on 0207 269 7285 for details.

Enquiries

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Notes for Editors

Intercytex is a leading regenerative medicine company developing innovative products to restore skin and hair. Intercytex is using its fully integrated cell technology platform to develop products that harness the innate ability of human cells to regenerate and repair the body.

Intercytex has four products in development:

- ICX-PRO, designed to stimulate active repair in chronic wounds - in a Phase III trial for VLU and a Phase II trial for DFUs
- ICX-SKN, being developed as a durable and robust skin replacement – in a Phase I extension trial
- VAVELTA®, a facial rejuvenation product already introduced to the UK market
- ICX-TRC, a hair regeneration product – in a Phase II trial

All Intercytex' products are derived from unmodified human cells.

Intercytex commenced operations in 2000 and currently employs around 80 staff. In addition to its head office in Cambridge, UK, it has GMP compliant clinical production facility plus research and development laboratories in Manchester, UK. Additional laboratories are located in Boston, US.

Intercytex' shares trade on the Alternative Investment Market of the London Stock Exchange under the ticker symbol ICX.L and on the Open Market and the Xetra trading platform of the Frankfurt Stock Exchange under the symbol IGJ.F.

Additional information on the Company can be found at www.intercytex.com

Statements contained within this press release may contain forward-looking information or statements with respect to the financial condition, results of operations and business achievements/performance of Intercytex and certain of the plans and objectives of management of Intercytex with respect thereto. By their nature, forward-looking statements involve risks and uncertainties that may cause actual results to vary from those contained in the forward-looking statements. In some cases, you can identify such forward-looking statements by terminology such as 'may', 'will', 'could', 'forecasts', 'expects', 'plans', 'anticipates', 'believes', 'estimates', 'predicts', 'potential', 'continue' or similar expressions. A number of factors, including the satisfactory progress of research and development, could cause Intercytex' actual financial condition, results of operations and business achievements/performance to differ materially from the estimates made or implied in such forward-looking statements and, accordingly, reliance should not be placed on such statements. Forward projections reflect management's best estimates based on information available at the time of issue and are not a guarantee of future performance. Other than as required by applicable law, Intercytex does not undertake any obligation to update or revise any forward-looking information or statements to reflect events or circumstances after the date of this release.

The term "Intercytex" refers to Intercytex Group plc and its subsidiary undertakings.

INTRODUCTION

We made considerable progress in 2007 in all of our programmes, generating clinical data across the product portfolio in a greatly expanded patient base. We are seeing very encouraging efficacy which gives us great confidence in the application of our technology and our commercial prospects.

We prepared VAVELTA, our product for facial rejuvenation and skin damage repair, for launch, completing the branding and product design process ahead of schedule. VAVELTA was introduced at FACE (Facial Aesthetic Conference and Exhibition) in London in June - FACE is the largest conference for aesthetic doctors in the UK and we have received very positive feedback on the product from doctors there and at other European conferences where it has been presented. Since FACE, VAVELTA has been undergoing field trials with an experienced group of cell therapy specialists. This has been helpful in refining the positioning and optimum use of the product in a commercial setting as well as adding to our efficacy data set. The clinical trials of VAVELTA in London and Birmingham are also generating favourable clinician feedback.

The highlight of the year from a clinical perspective was the data we announced in May 2007 showing clear evidence that ICX-SKN, our skin replacement product, had been accepted by and integrated with the host skin during wound healing. This has been followed up with confirmatory data from a Phase I extension study.

Recruitment to the pivotal trial of ICX-PRO, our second generation product for chronic wounds, accelerated in the second half of 2007. With over 350 out of 396 patients now randomised we expect to complete recruitment in the second quarter of 2008 as anticipated. We are also pleased to report data from a Phase II trial of ICX-PRO in diabetic foot ulcers which underlines the potential of the product in this indication.

All patients have now been treated in the Phase II trial of ICX-TRC, our hair regeneration product, and the results so far are promising. We have been assessing delivery variations in the trial and we have filed a patent application covering techniques which appear to improve the increase in hair count observed.

As a company we have achieved much in a short time and with relatively modest cash resources. This is in large part due to the dedication and conscientiousness of our staff, to whom the Board is especially grateful.

We have also been fortunate to hire a number of experienced people, amongst them John Lovelady who joined us as Vice President Operations in April. John's extensive background in the manufacture of biologicals has helped us to improve the consistency and reliability of our clinical production.

In our statement accompanying Intercytex' interim results, we commented on the substantial amount of data anticipated over the next 12 months. We are now reporting on that data, and the results we are seeing underscore the potential of our technology and value of Intercytex in the rapidly developing field of regenerative medicine.

BUSINESS REVIEW: PRODUCTS

VAVELTA®

Product description

VAVELTA® comprises a suspension of human dermal fibroblasts (HDFs) in cell storage medium, for injection into the skin. It is intended to repopulate the skin with active young fibroblasts, replacing those lost by ageing and supplementing the function of older, less productive cells.

Because of the consistency of our cell development process and the absence of immune responses to allogeneic fibroblasts, the treatment requires neither patient pre-testing nor biopsy and it has a reasonable shelf life so that its application can be scheduled in a convenient way.

We expect that by enhancing the skin's own collagen support matrix and remodelling existing collagen the injected fibroblasts will:

- improve the skin's texture and appearance;
- fill in the pits created by acne scarring and improve the appearance of such scars; and
- soften and reduce skin contractures caused by burns, thereby improving mobility and flexibility.

VAVELTA[®] is injected directly into the target area using a fine gauge needle. It is a straightforward and minimally invasive procedure. The number of injections given will be determined by the area of the skin being treated. A local anaesthetic such as lidocaine gel may be administered before the procedure to prevent any discomfort being experienced.

An aesthetic improvement should be visible once the HDFs have begun to lay down and/or remodel collagen within the dermis. In this way VAVELTA should provide a gradual improvement starting within weeks of injection. Repeat procedures may be given as required.

Clinical development

We have made considerable progress in the clinical development since the start of the year. Treatment of all subjects in two Phase II trials of VAVELTA has been completed.

The first study is being conducted in nasolabial folds at the Cranley Clinic for Dermatology in London with Professor Nicholas Lowe MD FRCP. In this trial 6 subjects received a low dose of product. A second group of 10 subjects was then treated with a higher dose expected to be used in the final product. All subjects are being followed out to 6 months post-treatment with the following results to date:

- In the 6 low dose subjects the average satisfaction scores at 6 months for the treatment as assessed separately by both patients and the investigator on a scale of 1-10 (10 being the highest), were 8 and 8 respectively. In addition, the investigator measured an improvement in wrinkle severity in all (100%) subjects
- In the 10 high dose subjects the average satisfaction scores at 3 months for the treatment as assessed separately by both subjects and the investigator were 6 and 7 respectively. In addition, the investigator measured an improvement in wrinkle severity in 6 (60%) subjects
- No serious adverse events have been observed and the product has been well tolerated

In the second Phase II study we are investigating the use of VAVELTA in acne scarring in a study being conducted by Dr David Eccleston. All 10 subjects are being followed out to 6 months post-treatment with the following results to date:

- The average satisfaction scores for the treatment at 3 months as assessed separately by both subjects and the investigator on a scale of 1 -10 were 7 and 6 respectively
- No serious adverse events have been observed and the product has been well tolerated

Final results of this study will be announced at the FACE conference in June.

A third Phase II trial of VAVELTA, investigating its use in the treatment of burns scars (including contractures), has received all required regulatory approvals and is open to recruitment.

Commercial opportunity

VAVELTA currently falls outside the scope of regulations governing the licensing of medicines in the UK and accordingly we are proceeding with the commercialisation of the product.

In June we introduced VAVELTA at the Facial Aesthetic Conference and Exhibition (FACE) held in London. FACE is the largest medical aesthetic conference in the UK for practitioners and clinics that deliver predominantly non-surgical medical aesthetic treatments. The product was very well received by delegates, a number of whom expressed interest in offering VAVELTA to their patients.

VAVELTA is administered by experienced physicians, well trained in intra-dermal injection such as cosmetic surgeons, dermatologists and other doctors who specialise in aesthetic medicine. Accordingly we have established a Clinical Practice Group (CPG) of 6 specialist clinicians who have been using VAVELTA in a commercial setting and conducting field trials of the product for facial rejuvenation, acne scarring and contractures.

To date, around 25 patients have been treated for a variety of different skin imperfections. Feedback from clinicians and patients on the product has been positive and some patients are already experiencing an improvement in skin tone and texture. The product has been generally well tolerated with a few patients observing some transient local events such as redness and swelling.

The product will be rolled out more generally in the second half of 2008 and in 2009 in the UK and we also intend to launch it in a small number of additional European countries as well, where the regulatory regime is equivalent to that of the UK. Our current plans are that in this limited number of territories VAVELTA will be marketed and sold by an in-house team.

Launch in the remainder of Europe and the US will follow completion of the clinical development programme. We do not intend to establish a US sales force and accordingly in time will seek a marketing partner to undertake US distribution.

The global market for aesthetic medicine grew by an estimated 16% in 2007 to \$6.2 bn. The cosmetic surgery market in the UK reached almost £900m in 2007. Across the range of potential applications for which VAVELTA may be used the market opportunity lies in the range £240m - £310m in the EU and the US.

Intellectual Property

Transporting cells at a high density in a confined space for any length of time is challenging, since actively metabolising cells quickly consume available glucose and excrete lactic acid into the media, and if left unchecked can kill cells in a matter of hours. This has been an issue for earlier cell therapy products where the resulting short shelf life has limited their commercial utility. Intercytex utilises a special shipping medium based on that used to transport organs for transplantation. This keeps the cells in a quiescent state during transit to their final destination and extends shelf life to an acceptable period for commercial use such that VAVELTA can be stored for at least eight days at the correct temperature of 2–8°C.

During the year we received our first granted patent, which protects the composition of the media with VAVELTA for transportation and storage, and is therefore fundamental to its commercial potential.

ICX-PRO

Product description

ICX-PRO is a topical woundcare product designed actively to stimulate wound healing and closure in persistent chronic wounds. It comprises active, allogeneic HDFs embedded in a human fibrin gel matrix which is applied to the wound at regular intervals until healing has occurred. Each unit is a circular gel of approximately 5.0 cm in diameter and 0.3 cm in depth shipped in medium to prevent drying. The units are stored and shipped under refrigerated conditions (2–8°C). ICX-PRO comes with a specially designed proprietary holder to protect the gel during transportation.

ICX-PRO is a second generation product that has been specifically designed to overcome the shortcomings (storage, preparation and ease of handling) of first generation cell therapy products that have constrained their commercial success. HDFs are the principal cell type found in the human dermis and are responsible for the production of collagen and structural components of skin. It is generally considered that HDFs are responsible for many events required to effect good quality wound repair. The HDFs are trapped in the fibrin scaffold for easy delivery onto the wound bed. The matrix is rapidly broken down by enzymes found in the chronic wound fluid to release the cells from the matrix.

Once approved, we expect ICX-PRO to be used by primary care physicians, surgeons, specialist woundcare physicians and plastic surgeons to treat a variety of chronic wounds including venous leg ulcers (VLU), diabetic foot ulcers (DFUs) and pressure ulcers.

Clinical development

As predicted we completed the initial recruitment target of 216 patients for the Phase III venous leg ulcer trial in March 2007. Around the same time we received the DSMB advice that the trial should be increased to 396 patients to achieve a statistically significant result. To meet this increased number various measures have been taken including the opening of a number of new trial centres and rationalising of existing ones.

The increase in numbers in the trial has been challenging, as has the trial design which, as a consequence of ICX-PRO being regulated as a biological, is the first randomised, blinded, controlled trial for a chronic wound cell therapy product. Nevertheless, we have currently randomised over 350 patients to the trial and expect to complete recruitment in the second quarter of this year in line with previous guidance. This would allow us to file our BLA in the second half of 2009 with the potential launch around a year later.

Separately, we completed recruitment of the Phase II trial in the UK in patients with neuropathic diabetic foot ulcers. This trial was designed to assess safety and efficacy of the product and provide feedback to inform the Phase III trial design. Nine subjects whose ulcers had not responded to conventional therapy were treated with ICX-PRO over a 20 week period in association with standard of care. No product related serious adverse events have been reported to date. Two patients have withdrawn from the study and four out of the remaining six had either complete or almost complete closure at around 24 weeks. One patient is still to be assessed.

Commercial opportunity

ICX-PRO was designed from woundcare physician feedback and, in a market where price and ease of use are key, will be differentiated from other active wound stimulants through a competitive pricing structure, long shelf life (21 days), easy storage (standard refrigeration) and ease of preparation and handling.

Existing cell therapies have made good progress in the chronic ulcer market in recent years, and are projected to achieve combined revenues of around \$100m in 2008. ICX-PRO represents an opportunity to build substantial revenues in the chronic wound market where:

- effective, convenient, appropriately priced, treatment options still remain an unmet medical need;
- increasing numbers of diabetics and elderly patients are driving market growth;
- there is a shift from "traditional dressings" to middle-tier products (antimicrobials, moist wound dressings) and from middle-tier to active (cell therapy, growth factor-based) products;
- demand is building for cost-effectiveness data, especially limiting in-patient time; and
- the market is consolidating around specialist chains of woundcare clinics.

We are in discussions with potential distribution partners to assist in the launch and subsequent sales and marketing of the product in the US and other markets. Our expectation is that Intercytex will manufacture in-market supplies from our Manchester facility for at least the early years following launch.

We signed a supply agreement in March 2007 with Baxter Healthcare which assures our supply of Tisseel®, a key raw material in the production of ICX-PRO and ICX-SKN. The agreement contains clauses which fix the price and provide Intercytex with a period of exclusivity in the use of Tisseel® with allogeneic fibroblast products.

Intellectual Property

Two patent families filed in earlier years, covering the wound healing characteristics and gene expression profile of ICX-PRO are proceeding through the international examination phase. In addition, we filed during the year an additional patent to protect our delivery device which is designed to facilitate the ease of use and ease of handling attributes of the product.

ICX-SKN

Product description

ICX-SKN comprises allogeneic HDFs set in a strong, stable matrix of natural human collagen that is produced and assembled by the cells themselves. An additional layer of human keratinocytes may be included to form an epidermal layer. ICX-SKN mimics the structure of skin and is intended as a skin graft replacement.

ICX-SKN is designed to be sufficiently durable to integrate and persist in an acute wound, thus providing immediate and long-term closure of acute wounds. It is intended that ICX-SKN will be used by dermatologists, plastic surgeons and other specialists in hospitals and clinics as a skin graft for acute wounds, initially in surgical excisions.

Clinical development

In June we announced a clinical breakthrough in regenerative medicine with release of data from the ICX-SKN Phase I trial. In this trial a full-thickness skin sample was excised from the upper arm of six volunteers and replaced with Intercytex' skin graft replacement product. After 28 days both visual and histological analysis showed that in all volunteers the ICX-SKN grafts were rapidly vascularised and overgrown with the hosts' own cells, resulting in a fully integrated skin graft.

We have followed this up with a Phase I extension study in which we have treated a further 6 subjects with similar excisions and the application of ICX-SKN. These subjects will be followed for up to 6 months to assess longer term healing.

The most recent analysis, completed at 3 months post treatment, showed continued integration of ICX-SKN in all six subjects with no evidence of rejection or wound breakdown. In addition, two of the subjects received an additional excision which was allowed to heal without the addition of ICX-SKN; the intention is to compare the healing of these untreated wounds with those treated with ICX-SKN at six months.

An open-label Phase II study is planned to commence in H2 2008 among subjects undergoing elective surgery for the excision of basal-cell skin carcinomas (BCC). The study is designed to demonstrate efficacy in wounds larger than those treated in Phase I. Outcome measures will include wound closure, evaluation of the cosmetic/aesthetic appearance and graft integration.

Commercial opportunity

Market research we have conducted during the year has emphasised the scale of the opportunity for ICX-SKN, especially in surgical excisions. Each year in the European Union and North America there are over 2.7m such excisions, of which the substantial majority are represented by skin cancer removals. We estimate that the market opportunity for ICX-SKN is in excess of 1 million excisions with a market value of over \$2 billion.

The potential advantages offered by ICX-SKN include:

- immediate closure of the wound, which substantially reduces the cost of follow up treatments and risk of infection;
- improved aesthetic appearance – a significant factor given that most skin cancers are on the face and hands and many excision sites carry permanent scarring; and
- the avoidance of skin grafting in those patients who would otherwise receive a skin graft.

Other opportunities exist in trauma such as burns and battlefield injury.

It is our intention to seek a partner to commercialise the product, as a minimum in the US market. This is likely to be achieved after the Phase II data are available.

Intellectual Property

We filed a patent application in 2006 which protects the manufacturing process for ICX-SKN. This patent is currently undergoing international examination.

ICX-TRC

Product description

ICX-TRC consists of a suspension of autologous dermal papilla (DP) cells. These cells are able to stimulate the generation of new hairs when injected into the scalp in close proximity to the epidermal cells which generate the hair.

It is intended that ICX-TRC will be used by specialists in hair transplant centres, dermatologists and plastic surgeons to treat patients with hair thinning or hair loss.

Clinical development

We have now completed the treatment phase of our Phase II study, being conducted by Dr Bessam Farjo in Manchester, to optimise the delivery of the DP cells.

In this study, hair counts are obtained by shaving and photographing a small section of scalp, injecting it and then applying a specialised image analysis system to provide a total hair count. All 19 subjects in the trial have now been treated using a range of injection and scalp pre-stimulation techniques; the first 6 subjects were injected without stimulation of the scalp. In the remaining 13 the resident hair producing (epithelial) cells were stimulated at the time of delivery of the DP cells.

11 subjects have now passed the 24-week time point since treatment and specialised image analysis at this time point showed:

- Of the group of 6 patients without stimulation of the scalp, 3 had an increased hair count and two had a reduced hair count; one has been lost to follow-up.
- Of the 5 subjects with pre-treatment scalp stimulation, all had increased hair count at 12 weeks and the 3 who were evaluable at 24 weeks all had an increased hair count at that time point.

These data are consistent with the earlier data reported last September and the hypothesis that new hair production is improved by pre-stimulation of the scalp, leading to an interaction between the injected cells and the resident hair producing cells.

24 week data on all subjects in the trial will be available in September 2008 and at the end of the trial photographic data will be analysed from a much larger area of treated scalp on all subjects at 48 weeks.

Commercial opportunity

ICX-TRC overcomes one of the principal drawbacks of conventional transplants which is that the outcome is limited by the amount of donor hair available. By using the Intercytex cell therapy technique almost limitless hair regeneration is possible in a less invasive procedure. Furthermore, treatment can commence early on in the hair loss process with retreatment available in subsequent years. The barrier to commercial success for ICX-TRC is relatively low, being the ability to increase hair count in transplanted or thinning areas.

We believe the continued development of ICX-TRC would best be carried out in partnership with a specialist in the aesthetics field. We do not intend to finance the continuation of clinical and commercial development of ICX-TRC beyond the current Phase II trial and shall seek to sign a partner when we have the complete data package from this trial. Intercytex has granted Bosley, the largest chain of hair transplant clinics in the US, an option to negotiate distribution rights to the product.

Intellectual Property

We have split our cell delivery patent application into three separate applications in the US reflecting additional techniques that are being developed. We have also filed a patent application relating to our observation that epidermal stimulation pre-treatment appears to enhance hair follicle formation. Two other previously filed patent applications relating to the method of culturing the dermal papilla cells have been published and are undergoing international examination.

OUTLOOK

Over the next year we expect to report sustained strong progress both commercially and clinically:

- VAVELTA – we expect to start generating revenues from around the middle of the current year and we will report on our sales progress as the product is rolled out. We will also report on our progress in obtaining permission to market the product in other European territories.
- We will report final data on the facial rejuvenation and acne scar trials, and initial data from the burns contracture study.
- ICX-PRO – full details of the data from the diabetic foot ulcer trial will be presented at relevant conferences. Recruitment to the pivotal Phase III venous leg ulcer trial will be completed and the outcome will be announced in H1 2009.
- ICX-SKN – full details of the current Phase I extension trial will be reported in H2 2008 and the Phase II trial in basal-cell carcinoma excisions commenced
- ICX-TRC – final data on all evaluable subjects in the current Phase II trial will be announced in H1 2009

We have seen strong efficacy evidence across our product portfolio during 2007. Continuation of the efficacy profile that our pipeline has demonstrated to date will emphasise the value of the regenerative medicine assets that we are creating.

BUSINESS REVIEW: FINANCIAL REPORT

Basis of preparation

The financial results have been prepared under International Financial Reporting Standards (IFRS) for the first time; the transition date for IFRS is therefore 1 January 2006. Because the Group had already effectively implemented IFRS 2 in 2006 when FRS 20 was applied, and due to the election regarding business combinations made under IFRS 1 in respect of first time adoption, the net effect of presenting the financial statements since transition under IFRS rather than UK GAAP is small. For the year ended 31 December 2006 no adjustments were made to the Group's net loss after tax or net assets as a consequence of IFRS adoption. In addition there is no impact on the Group cash flows previously reported or the Group opening balance sheet, other than the redefinition of short-term investments as available-for-sale liquid investments at 1 January 2006.

Cash flow

The net cash outflow from operating activities was £9.99m (2006: £8.52m). Capital expenditure and finance lease payments on capital equipment were £0.54m (2006: £0.48m). The net proceeds from the fundraising amounted to £11.44m and as a consequence cash, cash equivalents and liquid resources totalled £12.50m at the year end (2006: £10.99m), an increase of £1.51m.

Revenues

In the year ended 31 December 2007, revenue was £111k (2006: £83k), representing receipt of the fourth milestone from Bosley under the ICX-TRC option agreement. Other operating income represents further receipts under our DTI grant (£373k). This is a substantial increase over grant income in 2006 of £51k, when the project had just commenced.

Operating expenses

Research & development R&D costs rose to £9.62m (2006: £8.57m) as a result of the expanded clinical trial programme, and in particular as a consequence of the increase in patient numbers in the Phase III VLU trial of ICX-PRO, where during the year we treated around 50 extra patients compared with 2006. In total, seven trials were initiated and/or progressed during the year, representing the highest level of clinical activity in our history.

R&D costs accounted for 81% of net operating expenses (2006: 88%) and include:

- personnel associated with research and development activities;
- clinical trials;
- manufacturing, quality assurance, quality control and shipping activities;
- regulatory affairs; and
- an allocation of facility costs.

General and administrative (G&A) expenses for the year to 31 December 2007 increased to £2.68m (2006: £1.26m) including non-cash charges arising from IFRS 2 share-based payments of £0.30m (2006: £0.25m). These costs consist primarily of personnel costs for executive and administrative staff including finance, business development and human resources. Other significant administrative expenses includes an allocation of facilities costs, HR costs and legal/accounting/professional fees. The increase is attributable to the creation of a commercial department to support the VAVELTA® launch and enhanced Programme Management activities.

Net operating expenses increased by 22% to £11.93m (2006: £9.78m), resulting in an operating loss of £11.82m (2006: £9.69m).

Finance revenue and costs

Finance revenue, which represents income received from and crystallised gains on the Group's cash and liquid resources, was £0.23m (2006: £0.53m). A further £0.38m of uncrystallised gains in the Group's money fund investments was taken to reserves. Finance costs, which relate to interest payable on leased assets, amounted to £40k, the reduction against 2006 (£67k) reflects the expiry of a number of leases entered into when the Company moved into its current premises.

Taxation

Taxation comprises tax credits booked against research and development expenditure of £1.07m (2006: £1.05m) tax payable on our US activities of £20k (2006: £23k) together with the deferred tax credit on unrealised investment gains of £83k (2006: £nil). The tax credit for the year ended 31 December 2007 has yet to be submitted to HMRC. The claim submitted for 2006 of £1.05m was received in May 2007.

Loss for the period

Mainly as a consequence of the increase in R&D and G&A costs the resulting net loss for the period increased to £10.50m (2006: £8.21m).

Intercytex Group plc
Consolidated income statement
For the year ended 31 December 2007

	<i>Note</i>	2007	2006
		£'000	£'000
			<i>Restated</i>
Licensing & option income	2	111	83
Revenue		111	83
Research and development costs		(9,619)	(8,566)
General and administrative costs		(2,684)	(1,260)
Other operating income: grants receivable		373	51
		(11,930)	(9,775)
Operating loss		(11,819)	(9,692)
Finance revenue		233	525
Finance costs		(40)	(67)
Loss before taxation		(11,626)	(9,234)
Taxation		1,128	1,029
Loss for the year attributable to equity holders		(10,498)	(8,205)
Loss per share:			
Basic and diluted	3	(15.1p)	(15.0p)

All results are from continuing activities.

Intercytex Group plc
Consolidated balance sheet
As at 31 December 2007

		<i>Group</i>	
	<i>Note</i>	2007	2006
		£'000	£'000
			<i>Restated</i>
ASSETS			
Non-current assets			
Property, plant and equipment		881	672
		881	672
Current assets			
Inventories		114	27
Trade and other receivables		622	572
Current tax asset		1,042	970
Available-for-sale liquid investments	4	11,959	8,681
Cash and cash equivalents	4	538	2,306
		14,275	12,556
TOTAL ASSETS		15,156	13,228
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		205	165
		205	165
Current liabilities			
Trade and other payables		1,852	1,487
Obligations under finance leases		155	172
		2,007	1,659
TOTAL LIABILITIES		2,212	1,824
NET ASSETS		12,944	11,404
Share capital	5	794	561
Share premium		32,500	21,289
Capital redemption reserve		229	229
Merger reserve		18,902	18,902
Profit and loss account		(39,775)	(29,577)
Unrealised gains and losses reserve		294	-
TOTAL EQUITY		12,944	11,404

Intercytex Group plc
Consolidated cash flow statement
For the year ended 31 December 2007

	<i>Group</i>	
	2007	2006
	£'000	£'000
		<i>Restated</i>
Operating activities		
Total operating loss	(11,819)	(9,692)
Non cash:		
Depreciation of property, plant and equipment	348	377
Share-based payments expense	302	252
Working capital adjustments:		
Decrease in trade and other receivables	26	-
(Increase)/decrease in inventories	(87)	22
Increase/(decrease) in trade and other payables	264	(197)
Net cash flows from operations	(10,966)	(9,238)
Net income tax received	977	723
Net cash flows from operating activities	(9,989)	(8,515)
Investing activities		
Purchase of property, plant and equipment	(321)	(213)
Grants received in relation to capital items	100	65
Return from available-for-sale liquid investments	60	-
Interest received	96	446
Net cash flows used in investing activities	(65)	298
Management of liquid resources		
Increase in available-for-sale liquid investments	(2,901)	(8,681)
Financing activities		
Proceeds from issue of shares	12,000	15,177
Transaction costs of issue of shares	(558)	(1,326)
Payment of finance lease liabilities	(215)	(267)
Interest paid on finance leases	(40)	(67)
Net cash flows used in financing activities	11,187	13,517
Net decrease in cash and cash equivalents	(1,768)	(3,381)
Cash and cash equivalents at 1 January	2,306	5,687
Cash and cash equivalents at 31 December	538	2,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2007

1. Basis of preparation and accounting policies

These preliminary financial statements for the year ended 31 December 2007 are the first annual financial statements that comply with IFRS as adopted by the European Union as they apply to the financial statements of the Group. The Group's date of transition is 1 January 2006. The comparative figures have been prepared on the same basis and are therefore restated for the impact of IFRS from those previously reported under UK GAAP.

The financial information disclosed in this announcement does not constitute the Group's statutory financial statements. The financial information for the year ended 31 December 2006 has been extracted from the statutory accounts of Intercytex Group plc for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under sections 237(2) or (3) of the Companies Act 1985.

The financial statements in respect of the year end 31 December 2007 will be delivered to the Registrar of Companies in due course and will also be sent to shareholders. This preliminary statement was approved by the Board on 17 March 2006.

2. Revenue represents a milestone payment under the option agreement with Bosley Medical.

3. Loss per share

The calculations of loss per ordinary share are based on the following losses and weighted average number of shares in issue during the period:

		Year to 31 December 2007	Year to 31 December 2006 <i>Restated</i>
Loss for the period	(£'000)	(10,498)	(8,205)
Weighted average number of ordinary shares (basic and diluted)	('000)	69,325	54,595
Loss per share		(15.1p)	(15.0p)

4. Available-for sale liquid investments and cash and cash equivalents

The Group's liquid investments comprise holdings in a money market fund and investment grade short term debt instruments. These investments may be liquidated on 24 hours notice and are traded in highly liquid markets.

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

The holdings in the money market fund are accumulation units which are re-priced daily to reflected income accrued by the fund. Unrealised gains at the year end on this investment of £0.38m were taken to reserves.

5. Share issues

In April 2007 the Company allotted and issued 291,182 fully paid new ordinary shares to the Intercytex Group plc Employee Benefit Trust in order to satisfy conditional share awards made to employees under the Intercytex Group plc Share Incentive Plan (an HMRC approved all employee share purchase plan adopted by the Company on 20th June 2006).

In May 2007 the Company placed 23,076,924 new ordinary shares. The shares were issued to new and existing shareholders fully paid at a price of 52p per share raising £12m gross. Net proceeds after all issue expenses were £11.44m.