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Asterand plc

Interim Results for the Period Ended 30 June 2006

Asterand plc (LSE: ATD), the leading supplier of human tissue samples and drug discovery services to the pharmaceutical industry, today announces the Company's unaudited financial results for the six months ended 30 June 2006.

Highlights:

- Merger of Pharmagene plc and Asterand, Inc. to form Asterand plc completed in January 2006
- Restructured business focused on provision of human tissue samples and drug discovery services using applied human tissue based research
- Total revenues up 73% over Proforma to £3.8 million (2005: Asterand, Inc. £984,000, Proforma £2.2 million)
- Gross Margins increased to 25% compared to Proforma 14% (Asterand, Inc. loss)
- Operating costs reduced by 55% over Proforma to £2.8 million (2005: Asterand, Inc. £1.4 million, Proforma £6.2 million)
- Cash resources at 30 June 2006 of £6.1 million (31 December 2005; Asterand, Inc. £0.9 million, Proforma £9.9 million)

Randal Charlton, CEO of Asterand plc said

"Since completion of the merger earlier this year, we have successfully integrated the businesses and now have a larger sales force offering an expanded range of services to a wider client base, generating solid revenue growth in the first half of the year. We are focused on creating a leading supplier of human tissue samples and drug discovery research services and on reaching sustainable profitability as soon as practicable."

Asterand plc

Interim Results 2006

Introduction

Asterand plc ("Asterand" or the "Group") sets out its unaudited interim financial results for the six months ended 30 June 2006.

On 3 January 2006 Pharmagene plc completed the merger with Asterand, Inc. and upon completion of the merger Pharmagene plc was renamed Asterand plc.

Asterand's mission is to allow its pharmaceutical and biotechnology clients to identify relevant human disease targets and to discover and develop new drug candidates by using human tissues, thereby taking safer and more effective drugs into the clinic with increased confidence. It achieves this through the provision of human tissue samples and tissue derivatives and by the provision of drug discovery services using the group's expertise in applied human tissue based research.

Trading to 30 June 2006

The merger was legally completed by the acquisition by Pharmagene plc of Asterand Inc. However, under IFRS 3, 'Accounting for Business Combinations', it is treated as a reverse acquisition and due to the requirements of the accounting standard the comparative figures for the Group are those of Asterand, Inc. prior to the merger.

The Directors believe that the use of Asterand, Inc.'s figures for the purpose of comparison provide only a partial view of the full situation and therefore additional Proforma information has been prepared. This information does not comprise statutory financial information. Shareholders are advised to read all information to obtain a full understanding of the results. The Group will, however, refer to Proforma information as a comparative to allow readers to obtain a fuller picture of current performance. Proforma information cannot be shown on the face of the primary statements but is given in Note 7 to the interim financial statements.

Set out below is the comparison of the trading for the six months to 30 June 2006 to both Asterand, Inc. as required by IFRS 3 and the Proforma results for the six months to 30 June 2005.

	Asterand plc Six months ended 30 June 2006 £'000	**Asterand, Inc. Six months ended 30 June 2005 £'000**	Proforma Six months ended 30 June 2005 £'000
Revenue	**3,820**	**984**	2,190
Cost of Sales	**(2,846)**	**(1,196)**	(1,885)
Gross profit / (loss)	**974**	**(212)**	305
Other Income	**120**	**61**	61
Research & development costs	**(243)**	**(137)**	(2,710)
Selling & distribution costs	**(962)**	**(417)**	(739)
General & administrative expenses	**(1,749)**	**(857)**	(2,836)
Operating expenses	**(2,834)**	**(1,350)**	(6,224)
Operating loss	**(1,860)**	**(1,562)**	(5,919)
Interest receivable	**147**	**9**	379
Interest payable and similar charges	**(23)**	**(19)**	(23)
Notional interest on preference shares	**-**	**(327)**	-
Loss before taxation	**(1,736)**	**(1,899)**	(5,563)
Taxation	**-**	**-**	537
Loss for the financial period	**(1,736)**	**(1,899)**	(5,026)

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Asterand
Partners in Human Tissue Research

Total revenue for period was £3.8 million (2005: Asterand, Inc. £984,000, Proforma £2.2 million), an increase of 73% over the Proforma revenues for the comparative period. This revenue has been generated from Tissue Supply and Drug Discovery Services.

The sales and marketing functions of Asterand and Pharmagene have been integrated since completion of the merger and cross-trained in both product offerings pre-merger. Now a larger sales force is offering an expanded range of products and services to a wider client base.

The Group generated gross profit for this period of £974,000 (2005: Asterand, Inc. loss £212,000, Proforma profit £305,000). Gross margins were 25% in the first half of 2006 and showed an increase over Proforma margins of 14% and a loss in Asterand, Inc.

Total operating expenses were £2.8 million (2005: Asterand, Inc. £1.4 million, Proforma £6.2 million).

The reduction in operating cost compared to proforma operating expenses is due, in part, to a reduction in Research & Development costs. These show a reduction of £2.5 million compared to Proforma which is a result of focussing on seeking licensing partners for the Therapeutics programmes and restricting further investment to that essential to meet this objective. During the period the Group received £350,000 (2005: Asterand, Inc. £nil, Proforma £nil) by entering into a licensing agreement with BTG plc. Under IFRS 3 the Group recognised an intangible asset of £242,000 upon completion of the merger, representing an estimate of the then fair value of the Therapeutics portfolio. Consequently, the income from this agreement is not shown as revenue, but is instead shown as the realisation of that intangible asset.

In addition, General & administrative expenses show a £1.1 million reduction compared to Proforma. The principal reason for which is a substantial reduction in redundancy costs incurred in 2005 and a reduction in staff levels.

At 30 June 2006 the Group had cash resources of £6.1 million (31 December 2005: Asterand, Inc. £0.9 million, Proforma £9.9 million). This shows a reduction of £3.8 million compared to Proforma at 31 December 2005. Of this decline approximately £2.3 million are one-off amounts paid during 2006 principally relating to the merger and redundancy costs, a large proportion of which was incurred in 2005 and accrued at 31 December 2005.

Outlook

The Board is focussed on bringing the company to sustainable profitability as soon as practicable. The Company is seeking to grow revenues which will require increased sales and marketing capability. The Company will focus on increasing its ability to fulfil orders efficiently and to use the Group's resources in the most effective manner. Consequently, there will be further investment and reorganisation in the short term to meet this objective.

25 September 2006

Asterand plc consolidated profit and loss account
for the six months ended 30 June 2006

	Note	Six months ended 30 June 2006 Unaudited £'000	Six months ended 30 June 2005 Restated Unaudited £'000	Twelve months ended 31 Dec 2005 Restated Unaudited £'000
Revenue		**3,820**	984	2,780
Cost of sales		**(2,846)**	(1,196)	(2,936)
Gross profit / (loss)		**974**	(212)	(156)
Other income		**120**	61	146
Research & development costs		**(243)**	(137)	(249)
Selling & distribution costs		**(962)**	(417)	(973)
General & administrative expenses		**(1,749)**	(857)	(2,035)
Total operating expenses		**(2,834)**	(1,350)	(3,111)
Operating loss		**(1,860)**	(1,562)	(3,267)
Interest receivable		**147**	9	26
Interest payable and similar charges		**(23)**	(19)	(46)
Notional interest on preference shares	6	**-**	(327)	(740)
Loss before taxation		**(1,736)**	(1,899)	(4,027)
Taxation		-	-	-
Loss for the financial period		**(1,736)**	(1,899)	(4,027)
Loss per 5p ordinary share				
Basic and diluted	3	**(1.62p)**	(2.91p)	(6.07p)

The results arise from continuing operations

Asterand plc consolidated balance sheet
as at 30 June 2006

	Note	30 June 2006 Unaudited £'000	30 June 2005 Restated Unaudited £'000	31 Dec 2005 Restated Unaudited £'000
Assets				
Non-current assets				
Goodwill	5	**841**	-	-
Property, plant and equipment		**904**	419	461
		1,745	419	461
Current assets				
Trade and other receivables		**1,334**	522	987
Current tax receivable		**599**	-	-
Cash and cash equivalents		**6,122**	2,199	848
		8,055	2,721	1,835
Liabilities				
Current Liabilities				
Trade and other payables		**(2,590)**	(950)	(1,848)
Financial liabilities				
- *Current portion of long-term debt*		**(202)**	(216)	(228)
- *Finance lease obligations*		**(21)**	(13)	(11)
		(2,813)	(1,179)	(2,087)
Net current assets		**5,242**	1,542	(252)
Non-current liabilities				
Financial liabilities				
- *Long-term debt*		**(106)**	(310)	(213)
- *Finance lease obligations*		**(3)**	(3)	(5)
Preference share liabilities	6	**-**	(8,806)	(9,664)
		(109)	(9,119)	(9,882)
Net assets / (liabilities)		**6,878**	(7,158)	(9,673)
Shareholders' equity				
Ordinary shares	4	**5,014**	-	-
Shares to be issued	4	**1,215**	-	-
Share premium	4	**52,328**	18	21
Redeemable preference shares	6	**-**	1,402	1,471
Reverse acquisition reserve	4	**(41,132)**	-	-
Other reserves	4	**3,044**	-	-
Profit and loss account	4	**(13,591)**	(8,578)	(11,165)
Total equity		**6,878**	(7,158)	(9,673)

Asterand plc consolidated cash flow statement
For the six months ended 30 June 2006

	Note	**Six months ended 30 June 2006 Unaudited £'000**	Six months ended 30 June 2005 Restated Unaudited £'000	Twelve months ended 31 Dec 2005 Restated Unaudited £'000
Cash flows from operating activities				
Cash used by operations		**(3,940)**	(1,458)	(2,576)
Interest received		**147**	9	26
Interest paid		**(1)**	(2)	(3)
Interest element of finance lease rental payments		**(22)**	(17)	(43)
Tax received		**3**	-	-
Net cash used in operating activities		**(3,813)**	(1,468)	(2,596)
Cash flows from investing activities				
Sale of intangible asset	**5**	**350**	-	-
Expenditure on intangible asset	**5**	**(108)**	-	-
Purchase of property, plant and equipment		**(66)**	(138)	(292)
Net cash generated from investing activities		**176**	**(138)**	**(292)**
Cash flows from financing activities				
Proceeds from / (redemption of) ordinary share capital		**(11)**	-	2
Proceeds from issue of preference share capital		-	1,939	2,034
Proceeds from long term debt financing		-	277	291
Capital element of finance lease rental payments		**(154)**	(77)	(202)
Net cash generated / (used) in financing		**(165)**	2,139	2,125
Cash acquired in business combination	**5**	**9,049**	-	-
Effects of exchange rate changes		**27**	23	(32)
Increase / (decrease) in cash and cash equivalents		**5,274**	556	(795)
Cash and cash equivalents at beginning of period		**848**	1,643	1,643
Cash and cash equivalents at end of period		**6,122**	2,199	848

Asterand plc reconciliation of operating loss to net cash outflow from operating activities

	Six months ended 30 June 2006 Unaudited £'000	Six months ended 30 June 2005 Restated Unaudited £'000	Twelve months ended 31 Dec 2005 Restated Unaudited £'000
Operating loss	**(1,860)**	(1,562)	(3,267)
Depreciation charge	**294**	124	256
Share option compensation charge	**-**	18	40
(Increase) / decrease in trade and other receivables	**783**	205	(260)
Increase / (decrease) in trade and other payables	**(3,157)**	(243)	655
Cash generated from operating activities	**(3,940)**	(1,458)	(2,576)

Notes to the interim results for the year ended 30 June 2006

1. Basis of preparation

The unaudited results for the six months ended 30 June 2006 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU'). The accounting policies are those set out in the Group's Annual Report and Accounts for the year ended 31 December 2005. The financial information for the six months ended 30 June 2006 is unaudited and does not constitute statutory accounts within the meaning of the Companies Act 1985.

This financial information comprises the Asterand plc consolidated profit and loss account, consolidated statement of recognised income and expenses and consolidated cash flow statement for the six months ended 30 June 2006; and the Asterand plc consolidated balance sheet as at 30 June 2006.

On 3 January 2006, Pharmagene plc (now renamed Asterand plc) became the legal parent of Asterand, Inc. in a share-for-share exchange. In accordance with IFRS 3 ("Business combinations"), this transaction has been accounted for as a reverse acquisition, such that in substance, Asterand, Inc. has acquired Pharmagene plc. Accordingly, the comparative information of Asterand, Inc. has been presented for both the six months ended 30 June 2005 and the year ended 31 December 2005.

This current and comparative period financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority. In preparing this financial information, management has used the principal accounting policies as set out in Pharmagene plc's annual financial statements for the year ended 31 December 2005, with the exception of new policies for goodwill and intangible assets which have arisen as a result of the business combination.

Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) *Intellectual property*

Intangible assets in respect of in-process research and development are shown at their acquired fair value. Such assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate their cost over their estimated useful lives or during the period in which the property rights are sold, whichever is shorter.

The Group has chosen not to adopt IAS 34, ("Interim financial statements"), in preparing its 2006 interim statements and, therefore, this interim financial information is not in compliance with IFRS.

2. Segmental reporting

Following the business combination with Asterand Inc., the Group operates only one business segment relating to providing tissue services. All revenue and costs are recorded in the profit and loss account under this segment.

The Group operates across two geographical segments: Europe and North America. The UK is the home country of the legal parent and the base of its geographic operations. The sales analysis in the table below is based on the location of the customer.

2. Segmental reporting continued

	Revenue			Net Assets / (Liabilities)			Capital Expenditure		
	Six months ended 30 June 2006 Unaudited	Six months ended 30 June 2005 Restated Unaudited	12 months ended 31 Dec 2005 Restated Unaudited	**Six months ended 30 June 2006 Unaudited**	Six months ended 30 June 2005 Restated Unaudited	12 months ended 31 Dec 2005 Restated Unaudited	**Six months ended 30 June 2006 Unaudited**	Six months ended 30 June 2005 Restated Unaudited	12 months ended 31 Dec 2005 Restated Unaudited
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**	£'000	£'000
North America	2,944	874	2,075	11	(7,158)	(9,673)	66	138	292
Europe	876	110	705	6,867	-	-	-	-	-
	3,820	984	2,780	6,878	(7,158)	(9,673)	66	138	292

3. Loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to 5p ordinary shareholders by the weighted average number of 5p ordinary shares outstanding during the period. Potential ordinary shares are not treated as dilutive as their conversion to ordinary shares does not increase the net loss per share from continuing operations.

For the six months ended 30 June 2005 and the twelve months ended 31 December 2005, the weighted average number of shares is restated such that all preference shares and preference share liabilities have been converted into ordinary shares and all outstanding ordinary shares in existence had been converted into shares of Asterand plc. Additionally, notional interest on preference shares has been added back to the loss attributable to ordinary shareholders because the preference shares, together with all accrued notional interest, were fully converted to new ordinary shares in Asterand plc.

Reconciliations of the loss and weighted average number of shares used in the calculations are set out below:

Basic and diluted Loss per share	**Six months ended 30 June 2006 Unaudited**	Six months ended 30 June 2005 Restated Unaudited	Twelve months ended 31 Dec 2005 Restated Unaudited
Loss attributable to ordinary shareholders (£'000's)	(1,736)	(1,572)	(3,287)
Weighted average number of shares (000's)	107,186	53,944	54,181
Loss per share	(1.62p)	(2.91p)	(6.07p)

4. Shareholders' funds and statement of changes in shareholders' equity

	Share Capital £'000 Unaudited	Shares to be issued £'000 Unaudited	Share Premium £'000 Unaudited	Preference shares £'000 Unaudited	Reverse Acquisition Reserves £'000 Unaudited	Other Reserves £'000 Unaudited	Investment In own Shares £'000 Unaudited	Profit & Loss Account £'000 Unaudited	Total Equity £'000 Unaudited
						-	-		
At 1 January 2005	-	-	17	1,012	-	-	-	(6,204)	(5,175)
Issue of preference share capital	-	-	-	1,939	-	-	-	-	1,939
Reclassification as preference share liability	-	-	-	(1,617)	-	-	-	-	(1,617)
Premium on issue of ordinary share capital	-	-	2	-	-	-	-	-	2
Loss for the financial year	-	-	-	-	-	-	-	(3,910)	(3,910)
Reversal of share option compensation charge	-	-	-	-	-	-	-	38	38
Exchange translation differences	-	-	2	137	-	-	-	(1,089)	(950)
At 31 December 2005	-	-	21	1,471	-	-	-	(11,165)	(9,673)
Proceeds from new shares issued during the year	2,296	-	-	-	-	-	-	-	2,296
Premium on issue of ordinary share capital	-	-	5,105	-	-	-	-	-	5,105
IFRS 3 reverse acquisition conversion	2,718	1,215	47,202	(1,471)	(41,132)	3,044	(690)	-	10,886
Loss for the financial year	-	-	-	-	-	-	-	(1,736)	(1,736)
At 30 June 2006	5,014	1,215	52,328	-	(41,123)	3,044	(690)	(12,901)	6,878

5. Acquisition

On 3 January 2006 the merger of Pharmagene plc and Asterand, Inc. was completed in all respects with the admission of the enlarged share capital of Asterand plc (formerly Pharmagene plc) to trading on the Official List.

Pharmagene plc exchanged 54 million shares for 100% of the voting shares of Asterand, Inc., a privately held, US based Company of which 8.1 million have not been issued but are effectively held in escrow until the audited results for the year ended 31 December 2006 have been released. The merger was accounted for as a reverse acquisition in accordance with IFRS 3 – Business Combinations using the purchase method whereby Asterand, Inc. was considered the "acquirer" and Pharmagene plc the "acquiree". Comparative financial statements for 2005 are those of Asterand, Inc. only. 2005 comparative figures for Pharmagene plc are included for reference throughout this document wherever the board has determined that they might provide a more complete picture or perspective of the combined group's operations to the shareholders.

In the six months to 30 June 2006, Pharmagene plc contributed the following to operations:

	£'000
Turnover	1,069
Loss before interest and goodwill adjustment	(1,916)
Loss before goodwill adjustment, after interest	(1,778)
Interest	138
Taxation	-
Capital expenditures	-

All intangibles were recognised at their respective fair values and assets and liabilities at their fair market value. The excess of the acquisition's cost over the net assets acquired is recognised as goodwill in the financial statements.

An analysis of the acquisition is as follows:

	Carrying values pre-acquisition £'000	Fair value adjustment £'000	Provisional fair value £'000
Intangible assets	-	242	242
Property, plant and equipment	721	-	721
Trade and other receivables	2,439	(1,309)	1,130
Tax receivable	599	-	599
Cash and cash equivalents	9,049	-	9,049
Financial liabilities	(29)	-	(29)
Trade and other payables	(3,894)	-	(3,894)
Provisions	(5)	-	(5)
Net assets acquired	8,880	(1,067)	7,813
Goodwill			841
Consideration			8,654
Consideration comprised of:			
Fair market value of Pharmagene plc equity instruments 3 January 2006 (54,266,258 shares at 15p)			8,140
Fees and expenses			514
			8,654

The total fair value of all the issued equity instruments of Pharmagene plc just prior to the merger was used as the basis for determining the cost of the combination because the fair value of Asterand, Inc. shares, as a privately held company, was not readily determinable.

The fair market value reduction of trade and other receivables relates to prepaid Pharmagene plc professional fees relating to the merger of which there is no future economic benefit.

The £242,000 of acquired intangible assets are comprised entirely of therapeutic programme intellectual property related to the R4 programme with the potential for out license and value independent of the Company. During the first half of 2006, £350,000 of licensing fees were realised from the R4 programme as well as £108,000 in costs to prepare it for sale during the period.

6. Redeemable preference shares

Under IFRS Asterand, Inc. was required to treat a proportion of its preference shares as debt. Consequently, this gave rise to a notional interest charge of £327,000 in the six months to 30 June 2005 and a liability of £8.8 million at 30 June 2005. On completion of the merger, the preference shares, together with all accrued notional interest, were fully converted to new ordinary shares in Asterand plc. Consequently, the debt and notional interest charges do not appear in the financial statements of Asterand plc post merger.

7. Proforma information

In accordance with IFRS 3 – Business Combinations, the comparative 2005 financial information for the six months to 30 June 2005 is that of Asterand, Inc. only. Unaudited Proforma 2005 information has been prepared from the accounting records of Asterand, Inc. and Pharmagene plc to show aggregated financial information during this period for further comparative purposes.

While this information does not form part of the interim financial statements, it should be read in conjunction with them and the directors' responsibilities section.

Notional interest on preference shares and preference share liability has been removed from the Proforma financial information for Asterand, Inc. as it was converted into ordinary shares of Asterand plc post merger.

7. Proforma information continued

Proforma profit and loss account
for the six months ended 30 June 2005

	Asterand, Inc. Six months ended 30 June 2005 Unaudited £'000	Pharmagene plc Six months ended 30 June 2005 Unaudited £'000	Combined Six months ended 30 June 2005 Unaudited £'000
Revenue	984	1,206	**2,190**
Cost of sales	(1,196)	(689)	**(1,885)**
Gross profit / (loss)	(212)	517	**305**
Other Income	61	-	**61**
Research and development costs	(137)	(2,573)	**(2,710)**
Selling and distribution costs	(417)	(322)	**(739)**
General and administrative expenses			
- Normal operations	(857)	(1,372)	**(2,229)**
- Exceptional items (redundancy costs)	-	(607)	**(607)**
- Total general and administrative expenses	(857)	(1,979)	**(2,836)**
Total operating expenses	(1,350)	(4,874)	**(6,224)**
Operating loss	(1,562)	(4,357)	**(5,919)**
Interest receivable	9	370	**379**
Interest payable and similar charges	(19)	(4)	**(23)**
Loss before taxation	(1,572)	(3,991)	**(5,563)**
Taxation	-	537	**537**
Loss for the financial period	(1,572)	(3,454)	**(5,026)**

Proforma net assets as at 31 December 2005

	Asterand, Inc. 31 December 2005 Unaudited £'000	Pharmagene plc Group 31 December 2005 Unaudited £'000	Combined 31 December 2005 Unaudited £'000
Assets			
Non-current assets			
Property, plant and equipment	461	721	**1,182**
Current assets			
Trade and other receivables	987	2,439	**3,426**
Current tax receivable	-	599	**599**
Cash and cash equivalents	848	9,049	**9,897**
	1,835	12,087	**13,922**
Liabilities			
Current Liabilities			
Trade and other payables	(1,848)	(3,894)	**(5,742)**
Financial liabilities			
- Current portion of long-term debt	(228)	-	**(228)**
- Finance lease obligations	(11)	(23)	**(34)**
Provisions	-	(5)	**(5)**
	(2,087)	(3,922)	**(6,009)**
Net current assets / (liabilities)	(252)	8,165	**7,913**
Non-current liabilities			
Financial liabilities			
- Long-term debt	(213)	-	**(213)**
- Finance lease obligations	(5)	(6)	**(11)**
Net assets / (liabilities)	(9)	8,880	**8,871**

Independent review report to Asterand plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprises the consolidated interim balance sheet as at 30 June 2006 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the six months then ended and related notes 1 to 6. The Proforma information presented in note 7 falls outside the scope of this review report.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in Note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Chartered Accountants
Cambridge
25 September 2006

Notes:

(a) The maintenance and integrity of the Asterand plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.