



From Science to Patients



Ark Therapeutics Group plc
Interim Report 2008



Targeting specialist healthcare markets

Ark Therapeutics is a specialist healthcare group focused on vascular disease and cancer, two of the largest therapeutic markets in the world.

Ark concentrates on areas of significant, unmet clinical need and has an exciting late-stage pharmaceutical portfolio, as well as a growing range of innovative wound care products. The pipeline is supported by a number of advanced pre-clinical candidates which have already shown encouraging results and it is planned to move certain of these into the clinic in the near future.

Pharmaceuticals

Ark has leveraged its expertise and experience in the area of gene-based medicines to create a late-stage pipeline of highly innovative therapeutics. To date these therapeutics have been focused on specialist areas of high unmet need within cancer and vascular disease. For the future,

Ark plans to develop new therapeutics in an expanded range of indications including cardiac disease. The exciting news we were able to announce in July 2008 that the preliminary results of the Cerepro[®] Phase III study showed the primary endpoint had been achieved confirmed the potential for Ark's adenoviral delivery technology to introduce a new era of gene-based therapies for acute and chronic human disease.

Wound Care

The wound care portfolio continues to expand and now includes a total of four products delivering significant clinical benefit and health economic savings in the prevention and treatment of foot, lower-leg and infected wounds, with more products planned for launch in 2008.

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Highlights

Cerepro®

- January 2008 DSMB meeting confirmed timing of preliminary results from Phase III Cerepro® trial due Q3 2008
- Positive opinion letter received from EMEA for Cerepro® Paediatric Investigation Plan

Trinam®

- Special Protocol Assessment approval received from US FDA for Phase III Pivotal Trial of Trinam®

Vitor™

- Vitor™ pilot Phase III clinical programme commenced

Pre-clinical

- Significant advances made with EG013 and EG014 pre-clinical programmes
- EG011 (refractory angina) demonstrated ability to grow new blood vessels and restore heart function following heart attack

Wound care

- Sales in the six months to 30 June 2008 showed 68% increase over first six months of 2007
- Neuropad® in-licensed and launched in the UK
- Ark products won inclusion on new NHS Advanced Woundcare Therapies Contract

Corporate/ Commercial

- Acquisition of Lymphatix Oy strengthened gene research technology and secured licences for VEGF C and VEGF D genes
- Finnish GMP manufacturing facility completed validation review to USA standards
- Cash, cash equivalents and money market investments of £50.5m at 30 June 2008 (£37.5m at 30 June 2007)

Post-Period Events

- Preliminary Cerepro® Phase III results met primary endpoint
- New GMP manufacturing facility opened in Finland
- EMEA Gene Therapy Working Party gave positive feedback on EG013 for foetal growth restriction on pre-clinical toxicology and Phase I study

Chairman's and Chief Executive's review

The first half of 2008 has seen the Company make continued progress across all its business areas with a number of significant developments and milestones being achieved. We started the year by securing, through the acquisition of Lymphatix Oy, the ability rapidly to advance and develop more VEGF based products. As the first half progressed we successfully moved our three lead products into late-stage clinical development through regulatory milestones including FDA approval of the application for Special Protocol Assessment ("SPA") for the Trinam[®] Phase III trial and in particular, post period, reported that Cerepro[®] had met its primary endpoint in its Phase III study. Our manufacturing capabilities have strengthened considerably with the opening in July of our new facility in Finland and we continue to protect the future of our lead candidates through the filing and securing of relevant patents. Our wound care business has continued the growth we reported early in the period and we expect sales to strengthen further during the remainder of the year as all existing products grow and additional products are launched. Whilst there is still much to achieve, we are particularly pleased with the way our gene-based business is advancing.

Pipeline Review

Cerepro[®]

Early in the year we announced that the Data Safety Monitoring Board ("DSMB") had determined that the Cerepro[®] Phase III trial

(Study 904) would give a preliminary read out of results in July 2008. In April, the EMEA formally approved our paediatric investigation plan. Throughout the period we have continued to monitor Study 904 locking the Phase III clinical database mid year. This allowed us to conduct the preliminary analysis and in late July we announced that the study had met its primary endpoint with secondary endpoints yet to be established with 45% of patients still alive. This is a significant result for the Company with Cerepro[®] demonstrating overall clinical superiority to standard care regimens. Further details of the results are scheduled to be presented at the European Association of Neuro-oncology meeting in September 2008. We now look forward to progressing the regulatory process during the remainder of this year.

Vitor[™]

Following our decision late last year to conduct a pilot study to provide data to enable us to determine the final architecture for the Phase III study, we completed the manufacturing of the product for clinical trials supply and filed applications to commence the pilot study in a number of European countries. With the increased number of review committees now in operation, the processing of the applications was slower than we initially hoped but we secured approval to commence the study in June.

Trinam®

Trinam® has moved forward as planned in the period and the ongoing dialogue with the US regulators concerning the SPA process resulted in the SPA being formally awarded in June 2008. At the same time the Investigative New Drug (“IND”) application reviewer requested one of the battery of assays be ‘qualified’ with further data. Work on qualification is well underway and US investigator sites for the trial are now being activated to enable enrolment of the first patient into the trial as soon as clearance of the assay is received.

Pre-clinical

Following the progress we have made with our clinical stage gene-based medicines and advances in manufacturing we took the decision late last year to invest in a number of further pre-clinical gene-based programmes in order to advance up to three into Phase I/IIa development.

The most advanced of these (EG011) is a short-form VEGF-D gene in our established adenoviral delivery platform (as used in Cerepro® and Trinam®) under development for treatment of refractory angina. This reported very promising results in June 2008. In a heart attack model, treatment with EG011 restored the ejection fraction (the amount of blood pumped from the affected ventricle), a key measure of heart function, from 60% to 90% of the level observed before the heart attack occurred.

A further programme (EG013) under development for foetal growth restriction again based on adenoviral delivered VEGF also showed promising results in producing improved blood flow for up to 50 days in an *in vivo* model. We held a meeting with the Gene Therapy Working Party (“GTWP”) at the EMEA to discuss these findings, which clarified the indication of severe foetal growth restriction and the method of administration. They also commented positively on a proposed programme of *in vivo* and *in vitro* work to be completed prior to Phase I and on the Phase I trial endpoint.

In addition, we had a successful meeting with the GTWP to discuss Scavidin® in pre-clinical development for non-operable gliomas. The combination status of the product was confirmed as well as the manufacturing process and route of administration. In another of our pre-clinical programmes, EG014, a neuropilin-1 (“NP-1”) receptor antagonist, we reported the discovery and understanding of the precise NP-1 receptor pocket structure and molecular binding site characteristics, allowing us to continue what we believe is the last stage of our lead optimisation work to provide a compound to take into the clinic.

Overall, we are pleased with the way our pre-clinical programmes are developing towards the key value-creating Phase I/IIa trial milestones and we believe that such progress in these gene-based programmes is uniquely possible at Ark.

Chairman's and Chief Executive's review continued

Wound Care

For the six months overall sales were 68% up on the same period for 2007 and, on an annualised basis, monthly sales are at the £1m mark.

We were very pleased to see Flaminal[®], Kerraboot[®] and Kerraped[®] accepted for inclusion on the new NHS advanced wound care therapies contract as part of the new NHS supply chain purchasing system. Products on the contract are effectively deemed as 'NHS best practice' and to achieve acceptance products have to pass a range of new, independently assessed, NHS standards of clinical and cost effectiveness. Ark's three products will now be actively promoted by the NHS supply chain to all NHS and primary care trusts via its catalogue. In the period we announced the in-licensing and launch of Neuropad[®] for diabetic patients and whilst available initially via podiatrists through non-reimbursed purchase, we are awaiting a decision from the NHS Drug Tariff Board concerning reimbursement in primary care.

Corporate Activities

Early in the period we completed the acquisition of Lymphatix Oy in an all-shares transaction, securing Ark milestone and royalty free exploitation rights to VEGF-C and -D genes in Ark's area of interest. The transaction also secured certain pre-clinical science and results that have enabled us to move our pre-clinical programmes forward more rapidly.

Our patent estate had 5 patents granted in the period bringing the total number of patents now held by Ark to 192. We are confident our innovative medicines are well protected from competition. We are also pleased to report that the US patent office has commenced prosecution of the ACE stroke patent. The process of exploiting the value of this IP through further out-licensing activity is underway.

In February we announced that we had completed the work to validate our existing manufacturing facility in Finland (GMP 1) to US standards and throughout the year we have continued to manufacture commercial grade product. In mid July we announced that we have expanded our production capabilities with the opening of GMP 3. This commercial scale facility has been built as a result of a co-operation between the Company and the Kuopio University Business Park. GMP 3 is an advanced 'state of the art' building linked to Ark's existing laboratory suites. It has been specifically designed to manufacture gene-based medicines particularly those in viral vector constructs, right through to filling and packaging of finished product. The facility which contains 547 m² of clean rooms, will operate to Biosafety level 2 ("BSL 2") and has taken three years to build. The new facility will initially be used for laboratory and pre-clinical grade production and dedicated production suites are being equipped and validated to enable full GMP certification. This is a significant achievement which greatly adds to our manufacturing capability allowing us

to be self-sufficient in manufacturing all gene-based products in our portfolio for research through to commercial supply. The facility was completed with the aid of a Euro 2.19m grant from the Employment and Economic Development Centre of Finland ("TE-Centre") which is the largest investment grant awarded to the biotech pharma industry by the TE-Centre since its foundation in 2000.

Financial Review

Revenues of £0.412m were recorded in the six months ended 30 June 2008 (six months ended 30 June 2007: £0.245m), the increase of 68% in the period reflecting the successful launch of Kerraped[®] in the second half of 2007 and the strong growth in Flaminal[®] sales.

Expenditure on research and development for the period totalled £8.2m (six months ended 30 June 2007: £7.8m) as a result of increasing expenditure on the Trinam[®] and Vitor[™] Phase III studies and the scale-up of our biologics manufacturing facility, offset by reduced expenditure on the Cerepro[®] Phase III trial.

Selling, marketing and distribution costs for the period were £0.7m (six months ended 30 June 2007: £1.1m). The reduced expenditure in the period was principally a result of the completion of the first stage of key pre-marketing activities for Cerepro[®] by the end of 2007, pending receipt of the Phase III results in July.

Administrative expenses for the period totalled £3.6m (six months ended 30 June 2007: £3.5m).

Other income for the six months ended 30 June 2008 totalled £0.7m (six months ended 30 June 2007: £0.02m), the increase comprising primarily exchange gains on inter-company loans and on Euro-denominated cash balances.

In the six months ended 30 June 2008, the Group earned interest of £1.6m on its cash deposits (six months ended 30 June 2007: £1.1m), reflecting the increased cash balance as a result of the £35.4m net of expenses received from the Placing and Open Offer in November 2007.

Total net assets (defined as total assets less total liabilities) have increased from £40.1m at 30 June 2007 to £61.3m at 30 June 2008, principally due to the increase in cash and cash equivalents and money market investments (£50.5m at 30 June 2008 versus £37.5m at 30 June 2007) following the share Placing and Open Offer in November 2007. Property, plant and equipment at 30 June 2008 of £9.8m (30 June 2007: £2.4m) reflected the investment in the Group's expanded biologics manufacturing facility in Finland.

Net cash outflow from operating activities for the period was £11.2m (six months ended 30 June 2007: £11.6m).

Chairman's and Chief Executive's review continued

Risks and uncertainties over remaining six months

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. In particular the risks which were identified and outlined in the Annual Report and Accounts 2007 in the Directors' Report on page 24, and which include clinical and regulatory risk, competition and intellectual property risk and counterparty risk, remain relevant for the remaining six months of 2008.

Summary and Outlook

The first half of 2008 has seen Ark continue to make solid progress across all the main areas of the business. Of our lead candidates Trinam[®] and Vitor[™] have achieved the regulatory milestones we were expecting and our pre-clinical programmes have strengthened. The immediate post-period announcement that Cerepro[®] has achieved its primary endpoint in the Phase III study is a further significant step forward for gene-based medicine both for the Company and the overall gene therapy arena. During the second half of 2008 we expect to give appropriate updates on the full analysis

of the Cerepro[®] Phase III trial data and our progress with the European regulators. Trinam[®] is expected to enter its first patient into the Phase III study and Vitor[™] is also expected to recruit into its pilot Phase III study. We look forward to progressing the commercialisation activities regarding our stroke patent as well as continuing the discussions for the commercialisation of Cerepro[®] in non-core territories. We also expect to bring further wound care products into our marketed portfolio and to hear a decision from the US agency concerning the reimbursement position for Kerraboot[®]. Finally we expect to update the market on the progress of our key pre-clinical candidates as we move them towards Phase I development.



Dennis Turner
Chairman



Nigel Parker
Chief Executive Officer

27 August 2008

Consolidated income statement

for the six months ended 30 June 2008 (unaudited)

		Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Revenue	3	412	245	1,125
Cost of sales		(235)	(224)	(374)
Gross profit		177	21	751
Research and development expenses		(8,188)	(7,797)	(14,611)
Selling, marketing and distribution costs		(736)	(1,081)	(2,035)
Other administrative expenses		(2,948)	(2,894)	(5,809)
Share-based compensation		(682)	(589)	(1,006)
Administrative expenses		(3,630)	(3,483)	(6,815)
Other income		678	16	491
Operating loss		(11,699)	(12,324)	(22,219)
Investment income		1,631	1,075	2,226
Finance costs		(17)	(12)	(26)
Loss on ordinary activities before taxation		(10,085)	(11,261)	(20,019)
Taxation		919	1,047	1,838
Loss on ordinary activities after taxation, being retained loss for the period		(9,166)	(10,214)	(18,181)
Loss per share (basic and diluted)	4	(4 pence)	(6 pence)	(11 pence)

All results relate wholly to continuing activities.

Consolidated balance sheet

as at 30 June 2008 (unaudited)

	Note	30 June 2008 £'000	30 June 2007 £'000	31 December 2007 £'000
Non-current assets				
Goodwill	5	2,328	1,306	1,306
Other intangible assets	6	1,187	263	742
Property, plant and equipment	7	9,759	2,351	5,327
		13,274	3,920	7,375
Current assets				
Inventories		503	475	381
Trade and other receivables		2,369	1,329	2,175
Research and development tax credits receivable		2,696	2,557	2,055
Current tax receivable		-	-	20
Money market investments		42,500	27,000	46,000
Cash and cash equivalents		7,987	10,515	19,067
		56,055	41,876	69,698
TOTAL ASSETS	3	69,329	45,796	77,073
Non-current liabilities				
Obligations under finance leases		70	37	79
Loans		469	316	321
		539	353	400
Current liabilities				
Trade and other payables		7,397	5,257	8,480
Obligations under finance leases		34	10	33
Loans		73	86	94
		7,504	5,353	8,607
TOTAL LIABILITIES		8,043	5,706	9,007
Equity				
Share capital		2,051	1,662	2,019
Share premium		117,897	81,397	116,571
Merger reserve		38,510	36,989	36,989
Foreign currency translation reserve		75	(24)	(31)
Share-based compensation		3,727	2,633	3,052
Reserve for own shares		(1,274)	-	-
Retained loss		(99,700)	(82,567)	(90,534)
TOTAL EQUITY		61,286	40,090	68,066
TOTAL LIABILITIES AND EQUITY		69,329	45,796	77,073

Consolidated statement of changes in equity (unaudited)

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Share-based compensation £'000	Reserve for own shares £'000	Retained loss £'000	Total £'000
Balance as at								
31 December 2006	1,659	81,196	36,989	(22)	2,042	-	(72,353)	49,511
Exchange differences on translating foreign operations recognised directly in equity	-	-	-	(2)	-	-	-	(2)
Share-based compensation	-	-	-	-	591	-	-	591
Loss for the period	-	-	-	-	-	-	(10,214)	(10,214)
Equity share options issued	3	201	-	-	-	-	-	204
Balance as at								
30 June 2007	1,662	81,397	36,989	(24)	2,633	-	(82,567)	40,090
Exchange differences on translating foreign operations recognised directly in equity	-	-	-	(7)	4	-	-	(3)
Share-based compensation	-	-	-	-	415	-	-	415
Loss for the period	-	-	-	-	-	-	(7,967)	(7,967)
Issue of share capital	356	37,062	-	-	-	-	-	37,418
Share issue expenses	-	(1,936)	-	-	-	-	-	(1,936)
Equity share options issued	1	48	-	-	-	-	-	49
Balance as at								
31 December 2007	2,019	116,571	36,989	(31)	3,052	-	(90,534)	68,066
Exchange differences on translating foreign operations recognised directly in equity	-	-	-	106	(7)	-	-	99
Share-based compensation	-	-	-	-	682	-	-	682
Loss for the period	-	-	-	-	-	-	(9,166)	(9,166)
Issue of share capital	31	1,261	1,521	-	-	-	-	2,813
Share issue expenses	-	(4)	-	-	-	-	-	(4)
Equity share options issued	1	69	-	-	-	-	-	70
Purchase of own shares by Family Benefit Trust	-	-	-	-	-	(1,274)	-	(1,274)
Balance as at								
30 June 2008	2,051	117,897	38,510	75	3,727	(1,274)	(99,700)	61,286

Consolidated cash flow statement

for the six months ended 30 June 2008 (unaudited)

		Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
	Note			
Net cash outflow from operating activities	9	(11,177)	(11,601)	(18,037)
Investing activities				
Acquisition of Lymphatix Oy net of cash acquired	8	34	-	-
Interest received		1,601	1,251	2,114
Proceeds from/(purchases of) money market investments		3,500	13,000	(6,000)
Purchases of property, plant and equipment	7	(5,943)	(646)	(2,267)
Purchases of intangible assets		(56)	(40)	(698)
Net cash (used in)/generated from investing activities		(864)	13,565	(6,851)
Financing activities				
Proceeds from borrowings		47	-	-
Repayment of borrowings		(87)	(28)	(68)
Proceeds on issue of shares		66	4	35,735
Finance costs		(13)	(10)	(12)
Grants received	7	1,060	152	-
Net cash generated from financing activities		1,073	118	35,655
Net (decrease)/increase in cash and cash equivalents		(10,968)	2,082	10,767
Cash and cash equivalents at beginning of period		19,067	8,433	8,433
Effect of exchange rate changes		(112)	-	(133)
Cash and cash equivalents at end of period		7,987	10,515	19,067

Notes to the financial information

1 GENERAL INFORMATION

This interim financial information was approved by the Board on 20 August 2008 and does not constitute statutory financial information within the meaning of Section 240 of the Companies Act 1985. A copy of the statutory accounts for the year ended 31 December 2007 has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

Copies of the interim results for the six months ended 30 June 2008 are being sent to all shareholders. A copy can also be found on the Company's website at www.arktherapeutics.com.

2 BASIS OF PREPARATION

This condensed consolidated half-yearly financial information for the half-year ended 30 June 2008 has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

The same accounting policies, presentation and methods of computation have been followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements for the year ended 31 December 2007, except for the consolidation of the Family Benefit Trust (note 10). Seasonal changes to the Group's operations are not material.

Notes to the financial information (continued)

3 BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes the Group is currently organised into one business segment, which is the discovery, development and commercialisation of products in areas of specialist medicine with particular focus on vascular disease and cancer.

Since this is the only primary segment no further information has been shown.

Geographical segments

The Group's operations are located in the UK and Finland. Commercialisation activities are carried out in the UK, whilst discovery and development of products occurs in the UK and Finland.

The following table provides an analysis of the Group's revenue from the sales of goods and out-licensing deals by geographical market, irrespective of the origin of the goods and services.

	Revenue by geographical market		
	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
UK	412	233	1,034
Rest of Europe	-	-	79
Other	-	12	12
	412	245	1,125

3 BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets			Additions to property, plant and equipment and intangible assets		
				Six months ended	Six months ended	Year ended
	30 June 2008 £'000	30 June 2007 £'000	31 December 2007 £'000	30 June 2008 £'000	30 June 2007 £'000	31 December 2007 £'000
UK	58,520	43,305	72,302	58	88	809
Finland	11,935	3,192	5,629	6,634	598	3,748
Inter-segment eliminations	(1,126)	(701)	(858)	-	-	-
	69,329	45,796	77,073	6,692	686	4,557

4 LOSS PER SHARE

International Accounting Standards require presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. Since the Group is loss making, there is no such dilutive impact.

The calculation of basic and diluted loss per ordinary share is based on the loss of £9,166,000 for the six months ended 30 June 2008 (six months ended 30 June 2007 - £10,214,000; year ended 31 December 2007 - £18,181,000) and on 204,963,744 ordinary shares (June 2007 - 166,071,192; December 2007 - 169,202,455) being the weighted average number of ordinary shares in issue.

5 GOODWILL

The increase in goodwill during the period totalled £1m, and arose from the acquisition of Lymphatix Oy (see note 8).

6 OTHER INTANGIBLE ASSETS

Additions to other intangible assets during the period included £0.7m for licences acquired with Lymphatix Oy (see note 8).

7 PROPERTY, PLANT AND EQUIPMENT

During the period, payments in respect of expenditure on the new manufacturing facility in Finland totalled approximately £5.9m, including £1.5m which was capitalised as at 31 December 2007. Grant income received from the Employment and Economic Development Centre of Finland in respect of this investment totalled £1.1m.

Notes to the financial information (continued)

8 ACQUISITION OF LYMPHATIX OY

On 8 January 2008, the Group acquired 100 per cent of the issued share capital of Lymphatix Oy financed by the issue of 1,733,657 ordinary shares in Ark Therapeutics Group plc. This purchase has been accounted for by the purchase method of accounting.

	Book and fair value £'000
Net assets acquired	
Other intangible assets	737
Property, plant and equipment	5
Trade and other receivables	21
Cash and cash equivalents	96
Long term loans payable	(116)
Trade and other payables	(94)
	649
Goodwill	952
Total consideration	1,601
Satisfied by:	
Ordinary shares issued in Ark Therapeutics Group plc	1,539
Directly attributable costs	62
	1,601
Net cash flow arising on acquisition:	
Directly attributable costs	(62)
Cash and cash equivalents acquired	96
	34

The goodwill arising on the acquisition is attributable to future product development synergies from the combination.

In accordance with IFRS 3 "Business Combinations", the fair values assigned to the identifiable assets, liabilities and contingent liabilities acquired on 8 January 2008 were determined provisionally on that date and these provisional estimates may be subject to revision to 7 January 2009. The acquisition had no material impact on operations during the period.

9 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Operating loss	(11,699)	(12,324)	(22,219)
Depreciation and amortisation	755	435	1,019
Deferred income	(27)	(16)	(51)
Share-based compensation	682	589	1,006
Operating cash flows before movements in working capital	(10,289)	(11,316)	(20,245)
Increase in receivables	(143)	(35)	(593)
(Increase)/decrease in inventories	(122)	(5)	89
(Decrease)/increase in payables	(921)	(220)	1,413
Cash used by operations	(11,475)	(11,576)	(19,336)
Research and development tax credit received	298	-	1,300
Income taxes paid	-	(25)	(1)
Net cash outflow from operating activities	(11,177)	(11,601)	(18,037)

10 NON-CASH INVESTING AND FINANCING ACTIVITIES

The purchase of Lymphatix Oy (see note 8) was financed by the issue of 1,733,657 ordinary shares in Ark Therapeutics Group plc.

The Ark Therapeutics Group plc Family Benefit Trust (the "FBT") subscribed for 1,355,000 ordinary shares in the Company, funds for which were provided by the Company, £637,000 by way of a long term loan and £637,000 by way of a contribution.

Notes to the financial information (continued)

11 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following transactions with Company Directors took place during the period at arm's length:

	Six months ended 30 June 2008 £'000	Six months ended 30 June 2007 £'000	Year ended 31 December 2007 £'000
Consultancy fees earned in period			
P Keen	-	-	5
S Ylä-Herttua	38	35	70
Consultancy fees owed as at period end			
P Keen	-	-	5
S Ylä-Herttua	38	35	70

The remuneration of key management personnel in the period was in line with the amounts disclosed in the annual report for the year ended 31 December 2007.

Statement of Directors' responsibilities

We confirm to the best of our knowledge:

- (a) the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by DTR 4.2.4R;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors of Ark Therapeutics Group plc are listed in the Ark Therapeutics Group plc annual report for the year ended 31 December 2007, with the exceptions of the following two changes during the period: with effect from 24 April 2008 Bruce Carter resigned from the Board and Andrew Christie joined the Board. A list of current Directors is maintained on the Company's website: www.arktherapeutics.com.

By order of the Board

Martyn Williams
Company Secretary

27 August 2008

Independent review report to Ark Therapeutics Group plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Notes: A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditor
Cambridge, UK

27 August 2008



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