



Restoring quality of life

Corin Group PLC
Interim Report 2007

Corin is a world leader in the development, manufacture and distribution of a wide range of reconstructive orthopaedic devices, with a particular focus on providing innovative solutions for restoring quality of life for younger, active patients.

Founded in 1985, we are committed to providing effective techniques that restore mobility and relieve the pain of osteoarthritis. Our key product families are metal on metal hips and mobile bearing knees.

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Highlights

Operational highlights

- FDA approval granted for distribution of Corinet in the USA
 - Products and instruments already shipped to Stryker
 - Training and implantations well underway
- Manufacturing infrastructure in place to support anticipated growth
- Distribution agreement completed with Stryker Canada for Uniglide
- Kobayashi now selling Corin products in Japan
- Development programme around core technologies advancing well

Financial highlights

- Group sales on a constant currency basis* up 7% to £14.8 million (2006: £13.8 million)
- Reported sales were £14.0 million (2006: £13.8 million)
- Operating profit on a constant currency basis* of £1.8 million (2006: £1.8 million)
- Reported operating profit of £1.3 million (2006: £1.8 million)
- Pre-tax profit of £1.2 million (2006: £1.7 million)
- EPS on a constant currency basis* was 2.68 pence (2006: 2.83 pence)
- Reported EPS was 1.82 pence (2006: 2.83 pence)
- Interim dividend of 0.48 pence (2006: 0.48 pence)

*Constant currency is calculated by translating 2007 results at the average exchange rates used for June 2006 results – see note 9.

Chairman's statement

We have achieved a good sales performance in the UK and have a well developed distribution strategy for the major markets worldwide.

Overview

As anticipated, the first six months of 2007 was pivotal for the Group, with the global distribution strategy for Corin's proprietary products, initiated in 2005, now beginning to deliver returns. Distinct, and different, distribution strategies for USA, Europe and Japan are now in place to enable the Group to exploit its leading international products.

In February 2007 the FDA Advisory Panel voted in favour of a conditional recommendation for the Group's PMA submission for Cormet, Corin's metal on metal resurfacing hip. Subsequently, in July, the FDA gave approval for distribution of Cormet in the USA with first products and instruments shipped to Stryker, Corin's exclusive distribution partner, following almost immediately. Implantations have now commenced.

In parallel, Kobayashi, the Group's co-marketing partner in Japan commenced distribution of Corin's products in April 2007. The Group also continued to sell its devices in Japan through its wholly owned subsidiary. At the end of the first half of the year, the Group also began to sell its Uniglide knee in Canada, through Stryker.

Trading results

The Group has traded satisfactorily in the first half of 2007 although the strength of sterling against the US Dollar and Japanese Yen has impacted the results. Group sales for the six months ended 30 June 2007 were £14.0 million (2006: £13.8 million). On a constant currency basis* sales in the period would have been up 7% to £14.8 million.

On a constant currency basis*, direct sales in the first half of 2007 were £10.6 million, slightly up on the £10.5 million achieved in 2006. Adverse currency movements reduced direct sales to £10.2 million. Sales to third party distributors worldwide increased by 17% to £3.8 million (2006: £3.3 million).

Gross margin showed a decline to 64% (2006: 70%) reflecting the strength of sterling, pricing pressure in some of the Group's core territories, notably Japan and an increase in lower margin sales to third party export distributors, as a result of high sales of instrumentation which will seed future sales growth.

Underlying operating profit* was £1.8 million (2006: £1.8 million) as a result of the reduction in gross margin. After material adverse currency movements of £0.5 million, reported operating profit was £1.3 million (2006: £1.8 million).

Underlying profit before tax* was £1.7 million (2006: £1.7 million) after a marginally increased interest charge. Reported profit before tax, after adverse currency movements of £0.5 million, was £1.2 million (2006: £1.7 million).

Underlying earnings per share, on a constant currency basis (as set out in note 5), were 2.68 pence (2006: 2.83 pence) and reported earnings per share were 1.82 pence (2006: 2.83 pence).

In light of the Board's continuing confidence in the Group's prospects an interim dividend

of 0.48 pence per share will be paid (2006: 0.48 pence per share) on 2 November 2007 to shareholders on the register on 19 October 2007.

Cash generation remains strong with £1.1 million generated from operations. This is down on the first half of 2006 (£1.9 million) as the Group continued to increase its instrumentation and product inventories, up £1.0 million to £15.8 million, in advance of the USA launch of Cornet.

Net debt at 30 June 2007 was £4.7 million (2006: £0.8 million), an increase of £1.2 million since 31 December 2006.

Operating review

Continued growth from the Group's core proprietary products contributed to a UK sales increase of 6% to £4.6 million (2006: £4.4 million). This performance was particularly encouraging bearing in mind statistics published by the National Joint Registry for England and Wales which indicate that the market for hips and knees, in unit terms was down on the first half of 2006.

The German market has been difficult during the first half of the year and new customers have taken longer than expected to be brought on stream. As a result, sales of £2.5 million were down on 2006 (£2.7 million). The Board is encouraged by an upturn in sales in Germany in the first two months of the second half of the year.

In the USA the decline in sales continued as smaller distributors withdrew their business

following the announced US wide distribution agreements with Stryker. Sales were £0.2 million (2006: £0.5 million).

Japan is the second largest orthopaedic market and is therefore of significant importance to the Group. On a constant currency basis, direct sales by Corin Japan were flat at £1.4 million (2006: £1.4 million) despite reimbursement prices being reduced significantly during both 2006 and 2007. Direct sales after currency movements were reduced to £1.2 million. The final part of the initial stocking order of both instrumentation and product was made to Kobayashi, the Group's co-marketing partner in Japan, who formally launched Corin products in the second quarter of 2007.

In Australia, sales continue to show growth as a result of a number of initiatives which should allow further penetration in this growing market. The Group made good progress in a number of other overseas markets including Spain and Canada, where the initial stocking order of Uniglide instrumentation and product was shipped to Stryker Canada following the signing of a long term exclusive distribution agreement in April 2007.

Global distribution strategy

The USA accounts for almost 70% of the global consumption of orthopaedic devices and inevitably, much of Corin's resources and efforts have been focussed on achieving FDA approval for the Group's key proprietary devices, and also on ensuring the Group has the right distribution partners.

Chairman's statement

continued

In July 2007, the lengthy and intensive efforts to combine a major distribution partner with an FDA approved product for Cormet were realised. This approval, which followed a positive FDA Advisory Panel vote in February, was the culmination of a US based clinical trial, which commenced in 2001, and which has provided strong clinical data in support of Cormet.

In July 2005, the Group signed a long term, exclusive agreement with Stryker for distribution of Cormet in the USA, following FDA approval. Both these events, which ran in parallel, were critical elements of the Group's strategy to ensure that the proprietary nature of the metal on metal hip resurfacing product, Cormet, could be fully exploited in the USA, in order to deliver substantial shareholder returns.

Following FDA approval of Cormet in July, the initial stocking requirement of 51 Cormet instruments and associated implants was shipped to Stryker and subsequent shipments have been made in recent weeks. Stryker has committed considerable resources to training both surgeons and field based sales representatives and the number of surgeons trained to date is ahead of the Group's initial estimates. The initial feedback from surgeons on the quality and functionality of the Cormet instrumentation and the pedigree of the device has been very encouraging and Corin remains extremely confident as to the potential for this device in this key territory.

Inevitably the anticipated success of Cormet in the USA will provide a challenge to the Group's manufacturing capabilities. In

anticipation of FDA approval, the Group has invested heavily not only in the necessary capital equipment, but also in enhancing its infrastructure particularly in the manufacturing, regulatory and research and development areas. Dual sourcing of raw materials and subcontract processes is now the norm, providing security of supply. The Group is confident that the manufacturing footprint, as currently configured, is sufficient at least for the next 12 to 18 months, and is also currently assessing medium term expansion opportunities.

As a result of the Group's close relationship with Stryker, Corin has further extended the partnership by appointing Stryker as a distributor of the Uniglide uni-condylar mobile bearing knee in Canada in April 2007. The Uniglide knee has regulatory approval in Canada and implantations have now started.

In Japan, the Group's strategy has been to identify a high quality Japanese company as a co-marketing partner, to stand alongside its existing wholly owned distributor. The appointment of Kobayashi as the Group's Japanese partner was announced in September 2006, and Corin products were launched in April 2007. Initial focus has been on Corin's trauma devices, but Kobayashi are now beginning to develop surgeon interest both in metal on metal hips and mobile bearing knees.

The distribution strategy in the principal markets in Europe is aimed at developing direct sales forces, supported by a local technical infrastructure, concentrating the sales efforts on the key proprietary product

areas. Currently, other than in Germany and the UK, the Group continues to sell through independent distributors. The Board views this as an interim strategy, prior to locating appropriate European acquisition targets, which would provide national distribution in their own European territory and potentially provide complementary product opportunities.

Research and development

During the first half of 2007, the Group continued to strengthen its research and development infrastructure by investing in high quality bio-mechanical engineering graduates and by securing consultancy contracts with high profile orthopaedic surgeons, both in the UK and Germany. As a result, several new product development programmes have benefited from both internal expertise and external advice.

The product development programmes aimed at a new cementless stem, Metafix and a Mini Stem, primarily for the large diameter metal on metal articulation, Optimom, have both progressed well during the period. Metafix will be launched, initially in the UK and Australia, in Q4 2007 and the Mini Stem in early 2008. As part of this programme the size range of both Optimom and Cormet has been extended to allow for greater bone conservation. The extended size range for Cormet will be the subject of an FDA supplement in the second half of 2007. Both these devices will substantially extend the range of indications that can be treated using the Group's large diameter metal on metal articulation philosophy.

A new mobile bearing ankle, the Zenith, has recently been CE marked. This device builds upon technology inherited from the Group's German operation and may offer an attractive alternative to the commonly used solution of arthrodesis (fusion of the ankle) when treating arthritis of this joint. Zenith uses state of the art instrumentation that is the subject of patent applications.

The Board continues to believe that navigation will become more and more important in hip and knee surgery, and particularly when made available in conjunction with conservative treatment options, as in Cormet and Uniglide. During the period Corin has further extended its equity participation in The Acrobot Company. Trials are now almost complete using the Acrobot Planner and WayFinder technologies for planning and CT based navigation of Cormet. Initial feedback from the trial centres is encouraging. Corin has also recently signed exploitation agreements with BrainLab, probably the leading orthopaedic navigation specialist worldwide, for both Cormet and Uniglide. This will give Corin an open platform navigation application for these two leading products.

Several projects are in process with the Universities of Sheffield, Birmingham, London Imperial, and Bristol in order to evaluate different material and coating technologies for articulating surfaces and new methods of manufacturing novel implants. Projects are also underway to evaluate different coating technologies for the bone apposition surfaces.

Chairman's statement

continued

Outlook

The FDA approval for Cormet in July is probably the most important event in Corin's history. The Board is confident that metal on metal resurfacing of the hip is being avidly embraced by USA surgeons. In Cormet, Corin has the device with the longest clinical history, excellent surgical instrumentation and, in Stryker, a very strong US partner with first class sales and training capabilities. The Board is very confident of achieving considerable success with Cormet in the USA market.

Corin has continued to make progress in executing its distribution strategy outside of the USA despite some challenging market dynamics, including continued pricing pressures and increased competition. This has been exacerbated in recent months by adverse exchange rate movements.

With ongoing new product flow, some exciting research activities and growing demand from young active patients, Corin is well placed to deliver significant sales growth in the future, with the key growth driver in the short to medium term expected to be sales of Cormet in the USA.

Overall, the Group continues to trade in line with market expectations and the Board is confident as to the Group's prospects for the current year and beyond.

G M Hart

Chairman

25 September 2007

*Constant currency is calculated by translating 2007 results at the average exchange rates used for June 2006 results – see note 9.

Consolidated income statement

for the period ended 30 June 2007

	Note	Unaudited 6 months to 30 June 2007 £'000	Unaudited 6 months to 30 June 2006 £'000	Audited 12 months to 31 December 2006 £'000
Revenue	2	14,049	13,769	28,545
Cost of sales		(5,127)	(4,083)	(9,092)
Gross profit		8,922	9,686	19,453
Distribution costs		(252)	(304)	(928)
Administrative expenses		(7,379)	(7,602)	(14,787)
Operating profit		1,291	1,780	3,738
Finance costs		(187)	(147)	(234)
Finance income		55	85	24
Profit before tax	2	1,159	1,718	3,528
Taxation	3	(366)	(548)	(1,062)
Profit for the period		793	1,170	2,466
Attributable to:				
Equity holders of parent company		780	1,164	2,474
Minority interests		13	6	(8)
		793	1,170	2,466
Earnings per share				
– Basic	5	1.82p	2.83p	5.80p
– Diluted	5	1.82p	2.72p	5.79p

Consolidated balance sheet

as at 30 June 2007

	Note	Unaudited 30 June 2007 £'000	Unaudited 30 June 2006 £'000	Audited 31 December 2006 £'000
Assets				
Non-current assets				
Property, plant and equipment	6	5,625	5,563	5,303
Goodwill		1,471	1,471	1,471
Other intangible assets		2,141	1,694	1,897
Investments		100	–	100
Deferred tax		2,413	431	910
Total non-current assets		11,750	9,159	9,681
Current assets				
Inventories		15,840	13,002	14,895
Trade and other receivables		7,469	6,974	7,748
Cash and cash equivalents		1,620	1,904	1,925
Total current assets		24,929	21,880	24,568
Total assets	2	36,679	31,039	34,249
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	7	1,034	1,031	1,032
Share premium account		14,258	14,082	14,180
Employee share scheme reserve		3,295	1,376	1,743
Own shares held reserve		(10)	(10)	(10)
Translation reserve		(1,369)	(579)	(1,128)
Retained earnings		8,244	6,080	7,464
	8	25,452	21,980	23,281
Minority interests		50	572	37
Total equity	8	25,502	22,552	23,318
Non-current liabilities				
Long-term borrowings		4,798	1,806	4,545
Deferred tax		–	–	53
Provisions		84	174	274
Total non-current liabilities		4,882	1,980	4,872
Current liabilities				
Trade and other payables		3,813	4,847	4,365
Short-term borrowings		1,481	919	846
Current tax payable		1,001	741	848
Total current liabilities		6,295	6,507	6,059
Total liabilities	2	11,177	8,487	10,931
Total equity and liabilities		36,679	31,039	34,249

Consolidated cash flow statement

for the period ended 30 June 2007

	Unaudited 6 months to 30 June 2007 £'000	Unaudited 6 months to 30 June 2006 £'000	Audited 12 months to 31 December 2006 £'000
Cash flows from operating activities			
Profit before tax	1,159	1,718	3,528
Adjustments for:			
Depreciation and amortisation	1,020	898	1,746
Net interest expense	132	62	210
Share based payments	254	340	504
Negative goodwill	–	–	(143)
Loss on disposal of plant, property and equipment	78	153	113
Increase in inventories	(976)	(1,884)	(3,333)
(Increase)/decrease in trade and other receivables	219	(361)	(1,330)
Increase/(decrease) in trade payables	(829)	994	564
Cash generated from operations	1,057	1,920	1,859
Interest paid	(187)	(147)	(234)
Taxes paid	(409)	(651)	(1,029)
Net cash flows from operating activities	461	1,122	596
Cash flows from investing activities			
Interest received	55	85	24
Acquisitions net of cash acquired	–	–	(481)
Proceeds from sale of fixed assets	–	–	57
Capital expenditure	(1,698)	(1,940)	(3,477)
Net cash used in investing activities	(1,643)	(1,855)	(3,877)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital (net of issue costs)	80	238	337
Proceeds from borrowings	412	194	3,436
Repayment of loans	(206)	(544)	(825)
Payment of finance lease liabilities	(240)	(115)	(319)
Dividends paid	–	(371)	(569)
Net cash received from/(used by) financing activities	46	(598)	2,060
Net decrease in cash and cash equivalents	(1,136)	(1,331)	(1,221)
Cash and cash equivalents at the beginning of the period	1,925	3,308	3,308
Exchange adjustments	(37)	(73)	(162)
Cash and cash equivalents at the end of the period	752	1,904	1,925
Cash and cash equivalents comprises:			
	£'000	£'000	£'000
Cash available on demand	1,081	1,904	1,570
Short-term deposits	539	–	355
	1,620	1,904	1,925
Overdrafts	(868)	–	–
	752	1,904	1,925

Consolidated statement of recognised income and expense

for the period ended 30 June 2007

	Unaudited 6 months to 30 June 2007 £'000	Unaudited 6 months to 30 June 2006 £'000	Audited 12 months to 31 December 2006 £'000
Exchange differences on translation of foreign currency net investments	(241)	(89)	(638)
Movement on deferred taxation taken to equity	1,298	–	475
Net expense recognised directly in equity	1,057	(89)	(163)
Profit for the period	793	1,170	2,466
Total recognised income and expense for the period	1,850	1,081	2,303
Attributable to:			
Equity holders of the parent company	1,837	1,075	2,311
Minority interests	13	6	(8)
	1,850	1,081	2,303

Notes to the interim report

for the period ended 30 June 2007

1 Basis of preparation

The principle accounting policies of the Group are unchanged from the Group's 2006 annual report and financial statements that were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) as adopted by the EU and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. The principle accounting policies will be applied at 31 December 2007.

The interim financial statements have been reviewed by the Group's auditors. A copy of the auditors' review report is attached to this interim report.

2 Segmental analysis

For management purposes, the Group is organised into geographical segments which are based on the location of assets. These geographical segments are the basis on which the Group reports its primary information.

	Unaudited 6 months to 30 June 2007 £'000	Unaudited 6 months to 30 June 2006 £'000	Audited 12 months to 31 December 2006 £'000
Revenue by location of assets			
UK operations	11,715	10,484	22,545
German operations	2,579	2,762	5,163
Japan operations	1,929	1,363	3,091
Other international operations	1,554	1,909	3,652
	17,777	16,518	34,451
Less intercompany operations	(3,728)	(2,749)	(5,906)
	14,049	13,769	28,545
Revenue by location of customer			
UK	4,622	4,356	8,682
Germany	2,514	2,662	4,949
Japan	1,929	1,363	3,091
Europe (excluding Germany)	2,286	2,581	4,957
Rest of World	2,698	2,807	6,866
	14,049	13,769	28,545

Inter-company transfers are priced along the same lines as sales to external customers, except that an appropriate discount is applied to encourage use of group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current period and prior year.

All revenue is derived from the sales of orthopaedic goods.

Notes to the interim report

for the period ended 30 June 2007

continued

2 Segmental analysis (continued)

	Unaudited 6 months to 30 June 2007 £'000	Unaudited 6 months to 30 June 2006 £'000	Audited 12 months to 31 December 2006 £'000
Profit before taxation			
UK operations	672	1,240	3,084
German operations	254	177	115
Japan operations	324	386	522
Other international operations	(91)	(85)	(193)
	1,159	1,718	3,528
Assets			
UK operations	25,354	20,000	23,331
German operations	4,588	4,415	4,228
Japan operations	2,565	3,207	3,206
Other international operations	4,172	3,417	3,484
	36,679	31,039	34,249
Liabilities			
UK operations	10,613	8,027	10,137
German operations	303	201	54
Japan operations	290	534	401
Other international operations	(29)	(275)	339
	11,177	8,487	10,931
Capital expenditure			
UK operations	717	940	2,152
German operations	318	495	397
Japan operations	36	38	66
Other international operations	239	85	134
	1,310	1,558	2,749
Depreciation and amortisation			
UK operations	653	524	1,071
German operations	246	258	447
Japan operations	28	27	55
Other international operations	93	89	173
	1,020	898	1,746
Non-cash expenses			
UK operations	155	202	345
	155	202	345

The Group's secondary reporting format is by business segments. The Group only has one business segment being orthopaedics.

3 Taxation

	Unaudited 6 months to 30 June 2007 £'000	Unaudited 6 months to 30 June 2006 £'000	Audited 12 months to 31 December 2006 £'000
The tax charge is made up as follows:			
United Kingdom corporation tax on profits for the period	266	372	843
Overseas tax	286	186	347
Prior year adjustment – overseas tax	5	–	(2)
Total current tax	557	558	1,188
Origination and reversal of temporary differences:			
Deferred tax	(191)	(10)	(126)
Total tax on profit on ordinary activities	366	548	1,062

4 Dividends

	Unaudited 6 months to 30 June 2007 £'000	Unaudited 6 months to 30 June 2006 £'000	Audited 12 months to 31 December 2006 £'000
Final dividend of 0.9p (2006 – 0.9p) per ordinary share proposed and paid during the period relating to previous year's results	–	371	371
Interim dividend of 0.48p per ordinary share paid during the period	–	–	198
	–	371	569

The final dividend of 0.9p relating to previous year's results was paid on 31 August 2007.

The proposed interim dividend of 0.48p (June 2006: 0.48p) per ordinary share totalling £199,000 (June 2006: £198,000) will be paid on 2 November 2007 to shareholders registered at the close of business on 19 October 2007.

Notes to the interim report

for the period ended 30 June 2007

continued

5 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. Shares held in employee share trusts are treated as cancelled for the purposes of this calculation.

The calculation of constant currency earnings per share is based on the profit attributable to ordinary shareholders after adding back £0.4 million to post tax profits in respect of currency movements divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the calculation described above adjusted to allow for the issue of shares and the post tax effect of interest, on the assumed conversion of all dilutive options.

	Earnings £'000	June 2007 Weighted average number of shares	Per share amount p	Earnings £'000	June 2006 Weighted average number of shares	Per share amount p	Earnings £'000	Dec 2006 Weighted average number of shares	Per share amount p
Basic eps*	780	42,744,545	1.82	1,164	41,143,353	2.83	2,474	42,688,248	5.80
Constant currency eps*	1,147	42,744,545	2.68	1,164	41,143,353	2.83	2,474	42,688,248	5.80
Diluted eps*	780	42,784,606	1.82	1,164	42,735,149	2.72	2,474	42,723,434	5.79

*Earnings per share

The difference between the basic and diluted weighted average number of shares for the period ended 30 June 2007 is wholly attributable to outstanding share options.

6 Property, plant and equipment Group

	Leasehold improvements £'000	Plant, equipment & vehicles £'000	Consigned surgical instrumentation £'000	Total £'000
Cost				
At 1 January 2006	524	6,421	5,307	12,252
Additions	193	1,139	1,417	2,749
Transfer to current assets	–	–	(642)	(642)
Exchange movement in the year	(2)	(118)	(86)	(206)
Disposals	–	(158)	(227)	(385)
At 31 December 2006	715	7,284	5,769	13,768
Additions	19	341	950	1,310
Exchange movement in the period	(1)	(7)	(21)	(29)
Disposals	(319)	(2,511)	(391)	(3,221)
At 30 June 2007	414	5,107	6,307	11,828
Depreciation				
At 1 January 2006	433	4,386	2,388	7,207
Provided in the year	21	685	835	1,541
Exchange movement in the year	(1)	11	(78)	(68)
Eliminated on disposals	–	(114)	(101)	(215)
At 31 December 2006	453	4,968	3,044	8,465
Provided in the period	17	411	478	906
Exchange movement in the period	–	(5)	(20)	(25)
Eliminated on disposals	(319)	(2,510)	(314)	(3,143)
At 30 June 2007	151	2,864	3,188	6,203
Net book amount at 30 June 2007	263	2,243	3,119	5,625
Net book amount at 31 December 2006	262	2,316	2,725	5,303
Net book amount at 1 January 2006	91	2,035	2,919	5,045

The figures stated above for plant and equipment include assets held under finance leases, as follows:

	£'000
Net book amount at 30 June 2007	1,468
Net book amount at 31 December 2006	1,831
Net book amount at 1 January 2006	759
Depreciation provided in the period ended 30 June 2007	177
Depreciation provided in the year ended 31 December 2006	395

Notes to the interim report

for the period ended 30 June 2007

continued

7 Share capital

	30 June 2007 number	30 June 2006 number	30 June 2007 £'000	30 June 2006 £'000
Authorised:				
Ordinary shares of 2.5p each	66,100,000	66,100,000	1,653	1,653
Allotted, called up and fully paid:				
Ordinary shares of 2.5p each	41,349,623	41,225,123	1,034	1,031

Share issues under share option schemes

The following ordinary shares were issued during the period, pursuant to the exercise of options granted under the schemes detailed below:

Share Scheme	Number of ordinary shares	Exercise price
EMI i1	32,500	£1.355
USCOP i1	32,000	£1.110

The proceeds of the 64,500 ordinary shares allotted in the period were invested in working capital. Any proceeds in excess of nominal value have been credited to the share premium account.

8 Changes in shareholders' equity

Group

	Share capital reserve £'000	Employee share scheme £'000	Translation reserve £'000	Share premium account £'000	Own shares held reserve £'000	Retained earnings £'000	Total £'000	Minority interests £'000	Total equity £'000
At 1 January 2006	1,025	1,124	(490)	13,850	(10)	5,199	20,698	566	21,264
Total recognised income and expense for the period	–	475	(638)	–	–	2,474	2,311	(8)	2,303
Transfer of reserves	–	(360)	–	–	–	360	–	–	–
Share-based payment expense	–	504	–	–	–	–	504	–	504
Purchase of Minority Interest	–	–	–	–	–	–	–	(521)	(521)
Issue of share capital	7	–	–	330	–	–	337	–	337
Dividends paid	–	–	–	–	–	(569)	(569)	–	(569)
At 31 December 2006	1,032	1,743	(1,128)	14,180	(10)	7,464	23,281	37	23,318
Total recognised income and expense for the period	–	1,298	(241)	–	–	780	1,837	13	1,850
Share-based payment expense	–	254	–	–	–	–	254	–	254
Issue of share capital	2	–	–	78	–	–	80	–	80
At 30 June 2007	1,034	3,295	(1,369)	14,258	(10)	8,244	25,452	50	25,502

Notes to the interim report

for the period ended 30 June 2007

continued

9 Constant currency reconciliation

A reconciliation of reported to constant currency sales, operating profit and profit before tax for 2007 is set out below:

	Reported £'000	Currency movement* £'000	At constant currency £'000
Sales	14,049	722	14,771
Operating profit	1,291	525	1,816
Profit before tax	1,159	525	1,684
Tax	366	158	524
Profit after tax	793	367	1,160

*Currency movement is calculated by translating 2007 results at the average exchange rates used for June 2006 results.

10 Publication of non-statutory accounts

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. Statutory financial statements for 2006, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

Independent review report to Corin Group PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. 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.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which 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.

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 accounting policies and presentation have been consistently applied unless otherwise disclosed. 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 performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

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 2007.

BDO Stoy Hayward LLP

Chartered Accountants

Reading

25 September 2007

Board of Directors and advisers

Country of incorporation

Great Britain

Legal form

Public Limited Company

Company registration number

2923528

Registered office

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Gloucestershire GL7 1YJ
www.coringroup.com

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Non-executive Chairman

I H Paling

Chief Executive Officer

S J Hartley

Finance Director

L Wilding

Non-executive Director

D Young

Non-executive Director

Secretary

S J Hartley

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