



## Sinclair Pharma plc Interim Results - Highlights

**Godalming, UK, 26 March 2007:** Sinclair Pharma plc (SPH:L) ("Sinclair" or the "Company"), the rapidly growing international specialty pharmaceutical company, today announces its interim results for the six months ended 31 December 2006 and a summary of post-period activity.

### Highlights

#### **Financial Highlights for the first half**

- Turnover up 145% to £9.1m from the same period last year (H1 FY06: £3.7m)
- Revenue increase driven by contributions from acquired sales and marketing operations in France and the UK (CS Dermatologie ("CSD") and Ashbourne Pharmaceuticals Ltd. ("Ashbourne") respectively)
- Atopiclair™ revenues increased 130% to £1.3m (H1 FY06: £0.6m)
- Operating loss of £2.6m (H1 FY06: £1.7m loss)
- Loss per share of 3.1p (H1 FY06: 3.0p loss per share)
- Sinclair started the second half of the year with the Company's strongest ever order book
- Seeking to migrate from AIM to the Official List in London in the near future, together with a secondary listing on Euronext Paris. This will be through an introduction of existing shares with no new shares being issued

#### **Operating Highlights for the first half and post-period**

##### **Own sales and marketing operations**

- Sinclair acquired the UK sales and marketing company Ashbourne in September 2006
- Sinclair Srl (Italy) refocused its portfolio on core prescription products through divestment of non-prescription products and acquisition of three prescription products
- Ashbourne launched the vertigo product Arlevert®, through a marketing agreement with Hennig Arzneimittel GmbH, in January 2007
- CSD launched Sinclair's atopic dermatitis product Atopiclair in France in February 2007

##### **Sales through marketing partners**

- Sinclair's marketing partner network expanded. During the half year there were new agreements with seven marketing partners for six products, covering 16 countries
- Sinclair now has a marketing partner network that spans 67 countries including the main EU and Latin American territories, the US, China and Russia.
- These included an agreement with Bayer's specialist dermatology division, Intendis, to sell Atopiclair in eight major territories. In some countries a co-marketing agreement means that Intendis will market the product alongside Sinclair's own sales and marketing teams.
- US Atopiclair salesforce significantly increased

##### **Pipeline and clinical update**

- Positive study results from two paediatric trials for Atopiclair announced
- Sebclair™ received US Food and Drug Administration (FDA) marketing approval for seborrheic dermatitis
- Decapinol Toothpaste with fluoride and Toothpaste Gel with fluoride approved in the EU, consolidating the Decapinol product range
- Exclusive rights to develop and commercialise the peptide p1025, for use in the dental setting, acquired from King's College London

Steve Harris, Chairman of Sinclair Pharma plc, commented:

"We have invested significantly in the business, putting infrastructure in place, expanding sales and marketing distribution in Europe and expanding our product portfolio. This is reflected in the 145% first-half increase in revenues and our strongest ever order book at the start of the second half. Atopiclair is performing particularly well.

First half revenue growth was driven largely by Atopiclair sales and the contribution of our acquired operations in France and the UK. Looking forward to the second half, we are working towards events that should not only illustrate the development of Sinclair since IPO, but also provide a platform for future revenues. These include the US launch of Decapinol by OraPharma, Inc. and the launch of Atopiclair across several key EU territories. We anticipate that second half revenues will be significantly higher than the first half, and are optimistic about full year revenues."

END

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**Notes to Editors:**

**Sinclair Pharma plc**

Sinclair Pharma plc is an international specialty pharmaceutical company. It has a growing sales and marketing operation that is already present in France, Italy, UK, Spain and Portugal, and a complementary marketing partner network that spans more than 65 countries. Sinclair has proven expertise in acquiring or developing commercially attractive and undervalued products, registering these products and bringing them to market within a short time frame. The company focuses on niche therapeutic areas and its current portfolio includes products for dermatological conditions and oral health.

**Other languages**

For versions of this press release in French, German or Japanese please contact [investorrelations@sinclairpharma.com](mailto:investorrelations@sinclairpharma.com)

*"Safe Harbor" Statement under the US Private Securities Litigation Reform Act of 1995: Some or all of the statements in this document that relate to future plans, expectations, events, performances and the like are forward-looking statements, as defined in the US Private Securities Litigation Reform Act of 1995. Actual results of events could differ materially from those described in the forward- looking statements due to a variety of factors.*

## **Sinclair Pharma plc Interim Results for the six months to 31 December 2006**

### **CHIEF EXECUTIVE'S REVIEW**

Revenues increased by 145% compared to the same period in FY06, reflecting the rapid progress being made by the Company. Sinclair has delivered consistent revenue growth since IPO in 2003, which has been driven both by sales of our products through marketing partners, and contributions from our acquired sales and marketing companies.

We entered the second half of the financial year with the highest ever order book and second-half revenues are expected to be substantially higher than in the first half. We look forward to an active second half and are focused on delivering strong results for the full year.

### **Operations: Own sales and marketing operations**

#### **UK acquisition: Ashbourne Pharmaceuticals**

In September 2006, Sinclair established its own sales and marketing presence in its home market, the UK, by acquiring Ashbourne Pharmaceuticals Ltd. This brings us closer towards our goal of building a salesforce across the main European territories.

Ashbourne is regarded as a leading company in the UK dispensing doctor sector, which accounts for 18% of the UK GP market. In January 2007 Ashbourne launched the vertigo product Arlevert. They also announced the UK Product Fostering concept, where Ashbourne can launch other companies' products into the dispensing doctor sector. This offers a niche market in which to gather sales feedback and to generate sales, and a potential launch pad into the UK or Europe. Integration of Ashbourne into the group has proceeded well, and we announce today that having achieved reimbursement, Ashbourne plans to launch Atopiclair in the UK.

#### **France: CS Dermatologie**

Sinclair's French sales and marketing operation, CS Dermatologie ("CSD"), launched five new line extensions of its existing dermatology products, and is seeking to further expand sales of its dermo-cosmetic range through a newly established export function.

Post-period, CSD launched Sinclair's flagship product Atopiclair to French dermatologists and paediatricians.

#### **Italy: Sinclair Srl**

Sinclair Srl has revised its portfolio to focus on its core prescription dermatology products. Some non-prescription products were divested and three on-market prescription products were acquired that represent a good fit with Sinclair Srl's sales target profile.

### **Operations: Marketing partner network**

Sinclair now has a marketing partner network that spans 67 countries including the main EU territories, the US, China and Russia and Latin American. Sinclair products have been launched in 29 of these countries. In the remaining territories, our partners are in the registration process or preparing to launch; providing the foundation for additional revenue growth.

Our commercial partners now include Orapharma Inc., Bayer's Intendis, 3M ESPE and Graceway Pharmaceuticals. Graceway Pharmaceuticals has expanded as a result of the recent merger with Chester Valley Pharmaceuticals, and the acquisition of 3M's pharmaceutical business in North and Latin America. As a result the in-house salesforce for Atopiclair in the US has increased from 40 to 160.

Our partnership with the leading dermatology company Intendis will result in wide market exposure for Atopiclair, in a co-marketing arrangement alongside Sinclair's own sales and marketing teams. Intendis has now launched the product in Spain and Italy, where more than 90 representatives are selling it as *Zarzenda*. Launches are forthcoming in France, Germany, Brazil, Russia and other markets. In total Atopiclair is now sold by 340 representatives worldwide and this number will increase in coming months.

We are expanding the presence of our brands in the developing markets. The largest regional Latin American company, Roemmers Pharma, will sell Aloclair™ in 15 markets and we have also signed an agreement with Auroren Pharmaceuticals to sell Aloclair in China.

A list of all Sinclair's marketing partners can be found at the Sinclair website at [http://www.sinclairpharma.com/business\\_development.php](http://www.sinclairpharma.com/business_development.php).

### **Products and pipeline**

#### **Sebclair™**

In November 2006, Sinclair obtained US Food and Drug Administration (FDA) marketing approval for Sebclair™, for seborrheic dermatitis (SD). Sebclair is the first topical non-steroidal product cleared for marketing in the US through 510k registration that can also specifically claim reduction of erythema (redness) as a symptom of seborrheic dermatitis (SD). This is significant because we believe the unappealing appearance of SD is a key driver for sales. The market for SD in the five core pharmaceutical territories is believed to be worth at least \$400m.

#### **Decapinol®**

As part of Sinclair's strategy to address the whole gum care market, a portfolio of products is being developed that include the Decapinol technology. Decapinol Spray offers a convenient alternative to the oral rinse presentation, and has been approved in the EU as a Medical Device Class IIa. Decapinol Toothpaste with fluoride and Decapinol Toothpaste gel with fluoride were approved in the EU.

These add to other products in the Decapinol range that have already been approved in the EU: Decapinol toothpaste, and Decapinol® Gel. The latter combines Decapinol with Sinclair's other barrier technology, present in Aloclair, in a product designed for site specific gingivitis and pain relief after dental visits. With approximately 80 per cent of the adult population estimated to have some degree of gum inflammation, Decapinol oral rinse addresses a large market, estimated at more than \$1.5bn, while the toothpaste addresses an even larger market.

#### **P1025**

In November 2006, Sinclair announced an agreement with King's College London to acquire the exclusive rights to develop and commercialise the peptide p1025, for use in the dental setting. p1025 interferes with the mechanism that allows the bacterium *Streptococcus mutans* to attach to tooth surfaces and has been shown to maintain this action for 120 days. *Streptococcus mutans* is a major contributor to dental caries and its removal is critical to preventing caries.

### **Clinical Update**

#### **Atopiclair - Positive Study in Children and Adolescents**

Two paediatric studies for Atopiclair were completed and reported; one large multicentre, US study and one smaller European study. Both studies demonstrated significant benefits of Atopiclair versus an emollient cream, both in the relief of itch and improvement in appearance of the skin, in speed of action. Significantly fewer patients using Atopiclair needed steroid treatment during both studies. These results support Sinclair's concept of providing an alternative to topical corticosteroids, particularly for use in children with eczema.

With approximately one third of eczema prescriptions being in paediatrics, these data are expected to provide strong marketing leverage to Sinclair sales people and our Atopiclair marketing partners.

### **Financial Review**

Revenues of £9.1m were recorded in the first half of FY07 (H1 FY06: £3.7m). Rapidly increasing sales of Atopiclair contributed to revenue growth, and a large part of the growth came from contributions from the acquisitions of our French operation CSD and our UK operation Ashbourne.

Sinclair enters the second half of the year with its strongest ever order book - a significant number of orders that were scheduled for delivery in December have fallen into the first quarter of 2007. We anticipate that the historic trading pattern of the Group will be seen again in the second half with revenues expected to be significantly higher than in the first half.

Revenues of Atopiclair through our licensing partners have grown to £1.3m (2005: £0.6m), an increase of over 130%, but this has been mitigated by lower revenues from Salinum, SST and Xclair, which were launched in the US in our previous financial year and had generated large stocking orders in FY06.

In Sinclair Srl there has been a rationalisation of the product portfolio in order to improve the efficiency of the sales operations. A number of smaller non-prescription dermatology products were sold during the half year at a profit of £1.3m. Some replacement on-market prescription products have been acquired although the revenue impact of these will not be seen until the second half.

We are very pleased with the profitable contribution of CSD in this half, and with their integration of the business into the Sinclair Group, which is progressing well.

There was an operating loss of £2.6m during the period, compared to £1.7m for the same period in FY06. This translates to a loss per share of 3.1p compared to 3.0p for H1 FY06. No additional funds were raised during the period and the UK sales and marketing operation Ashbourne Pharmaceuticals Ltd was acquired for cash for a net cost of £0.5m (£1.25m including £0.7m cash).

Cash and cash equivalents at 31 December 2006 were £2.5m (31 December 2005: £10.7m). Operating expenses were £8.7m (H1 FY06: £3.8m restated), reflecting the Company's investment in sales and marketing infrastructure in our European territories.

Within the next month, Sinclair intends to apply for admission of its ordinary shares to the Official List of the UK Listing Authority ("Official List") and to trading on the London Stock Exchange's market for listed securities, and to trading on Eurolist by Euronext Paris, the regulated market of Euronext Paris SA ("Euronext Paris"). This will be through an introduction of its existing ordinary shares, with no new shares being issued. The Directors believe that the move to the Official List is appropriate to the growth and ambition of the Company. The new listings are expected to increase liquidity in the ordinary shares, and enhance the domestic and international profile of the Company. In recent years, the Company has expanded its international presence, and now has significant and expanding activities in continental Europe. A secondary listing on Euronext Paris will reflect the Company's growing commercial presence in these territories.

### **Management**

In July 2006 we announced that Alan Olby had been promoted to Finance Director and Company Secretary, and in February 2007 Zoe McDougall was appointed Director of Communications.

Danilo Massari, VP of Corporate Development, will be leaving the company to pursue other opportunities.

### **Outlook**

Activities and results for the first half have contributed towards our goal of becoming a sustainably profitable specialty pharmaceutical company, with an integrated European salesforce. Integration of our acquired companies is proceeding well; our French operation recently launched our flagship product Atopiclair, with the UK launch by Ashbourne to follow. We aim to establish a presence in the important German market, to consolidate our presence in the key EU territories.

Our business model is designed to extract maximum value from our brands by a combination of sales through our own sales and marketing operations and through our respected marketing partners. Both of these sales routes show strong promise for the future, especially when combined with our pipeline of new products and line extensions.

The management and employees of Sinclair are focused on driving the Company towards profitability and creating a climate for long term profitable growth for the company.

**Dr. Michael Flynn**  
**Chief Executive Officer**

**Jerry Randall ACA**  
**Chief Financial Officer**

**Unaudited consolidated income statement**  
**For the six months ended 31 December 2006**

		<b>Six months ended 31 December 2006 £000</b>	Six months ended 31 December 2005 £000 (restated)	Year ended 30 June 2006 £000
	Notes			
<b>Revenue</b>	2	<b>9,109</b>	3,711	11,623
Cost of sales		<b>(3,354)</b>	(1,588)	(4,576)
<b>Gross profit</b>		<b>5,755</b>	2,123	7,047
Selling, marketing and distribution		<b>(3,377)</b>	(1,493)	(5,019)
General and administrative expenses		<b>(5,321)</b>	(2,327)	(5,001)
Total operating expenses		<b>(8,698)</b>	(3,820)	(10,020)
<b>Operating loss before exceptional items</b>		<b>(2,943)</b>	(1,697)	(2,973)
Exceptional items	3	<b>377</b>	-	-
<b>Operating loss</b>		<b>(2,566)</b>	(1,697)	(2,973)
Interest receivable		<b>68</b>	113	276
Interest payable and similar charges		<b>(46)</b>	(25)	(54)
<b>Loss before taxation</b>		<b>(2,544)</b>	(1,609)	(2,751)
Taxation		<b>(172)</b>	-	(85)
<b>Loss for the period</b>		<b>(2,716)</b>	(1,609)	(2,836)
Attributable to:				
Minority interest		<b>3</b>	-	-
Equity holders of the Company		<b>(2,719)</b>	(1,609)	(2,836)
		<b>(2,716)</b>	(1,609)	(2,836)
Loss per share (basic and diluted)	4	<b>(3.1)p</b>	(3.0)p	(4.5)p

Restated – see note 1

**Unaudited consolidated balance sheet**  
**At 31 December 2006**

		<b>31 December</b>	30 June	31 December
		<b>2006</b>	2006	2005
	Notes	<b>£000</b>	£000	£000
<b>Non-current assets</b>				
Goodwill		<b>43,165</b>	43,692	18,070
Intangible assets		<b>8,882</b>	9,336	1,141
Property, plant and equipment		<b>2,052</b>	1,558	361
Non-current tax assets		<b>1,898</b>	1,796	-
Other non-current assets		<b>64</b>	55	-
		<b>56,061</b>	56,437	19,572
<b>Current assets</b>				
Inventories		<b>3,007</b>	2,609	722
Trade and other receivables	5	<b>6,199</b>	8,072	3,472
Current tax receivables		-	-	57
Cash and cash equivalents		<b>2,545</b>	5,036	10,671
		<b>11,751</b>	15,717	14,922
<b>Total Assets</b>		<b>67,812</b>	72,154	34,494
<b>Current liabilities</b>				
Financial liabilities - borrowings		<b>(441)</b>	(806)	(727)
Trade and other payables	6	<b>(6,210)</b>	(6,155)	(3,022)
Current tax liabilities		-	(348)	-
		<b>(6,651)</b>	(7,309)	(3,749)
<b>Non-current liabilities</b>				
Financial liabilities - borrowings		<b>(419)</b>	(295)	(168)
Non-current tax liabilities		<b>(1,154)</b>	(1,211)	-
Other non-current liabilities		<b>(529)</b>	(529)	-
Provisions		<b>(116)</b>	(140)	-
		<b>(2,218)</b>	(2,175)	(168)
<b>Total liabilities</b>		<b>(8,869)</b>	(9,484)	(3,917)
<b>Net Assets</b>		<b>58,943</b>	62,670	30,577
<b>Equity</b>				
Share capital		<b>934</b>	933	652
Share premium account		<b>21,433</b>	21,386	23,247
Merger reserve		<b>50,404</b>	50,404	15,684
Other reserves (deficit)		<b>(418)</b>	749	643
Profit & loss reserve (deficit)		<b>(13,418)</b>	(10,807)	(9,645)
		<b>58,935</b>	62,665	30,581
Minority equity interests		<b>8</b>	5	(4)
<b>Total equity</b>		<b>58,943</b>	62,670	30,577

## Consolidated statement of changes in shareholders' equity (Unaudited)

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves (deficit) £'000	Profit & loss reserve (deficit) £'000	Attributable to equity holders of the parent £'000	Minority interest £'000	TOTAL EQUITY £'000
<b>Balance at 1 July 2005</b>	592	16,171	15,684	700	(8,101)	25,046	(4)	25,042
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(57)	-	(57)	-	(57)
Loss for the period	-	-	-	-	(1,609)	(1,609)	-	(1,609)
<b>Total recognised expense for the period</b>	-	-	-	(57)	(1,609)	(1,666)	-	(1,666)
Share based payments – value of employee services *	-	-	-	-	65	65	-	65
Options and warrants exercised	1	16	-	-	-	17	-	17
Issue of share capital	59	7,343	-	-	-	7,402	-	7,402
Share issue expenses	-	(283)	-	-	-	(283)	-	(283)
<b>Balance at 31 December 2005</b>	<b>652</b>	<b>23,247</b>	<b>15,684</b>	<b>643</b>	<b>(9,645)</b>	<b>30,581</b>	<b>(4)</b>	<b>30,577</b>
Exchange differences arising on translation of overseas subsidiaries	-	-	-	106	-	106	-	106
Loss for the period	-	-	-	-	(1,227)	(1,227)	-	(1,227)
<b>Total recognised (expense)/ income for the period</b>	-	-	-	106	(1,227)	(1,121)	-	(1,121)
Share based payments – value of employee services *	-	-	-	-	65	65	-	65
Options and warrants exercised	1	98	-	-	-	99	-	99
Shares issued on acquisition of Groupe CS Dermatologie SAS	280	-	34,720	-	-	35,000	9	35,009
Share issue expenses	-	(1,959)	-	-	-	(1,959)	-	(1,959)
<b>Balance at 30 June 2006</b>	<b>933</b>	<b>21,386</b>	<b>50,404</b>	<b>749</b>	<b>(10,807)</b>	<b>62,665</b>	<b>5</b>	<b>62,670</b>
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(1,167)	-	(1,167)	-	(1,167)
Loss for the period	-	-	-	-	(2,719)	(2,719)	3	(2,716)
<b>Total recognised expense for the period</b>	-	-	-	(1,167)	(2,719)	(3,886)	3	(3,883)
Share based payments – value of employee services	-	-	-	-	108	108	-	108
Options and warrants exercised	1	47	-	-	-	48	-	48
<b>Balance at 31 December 2006</b>	<b>934</b>	<b>21,433</b>	<b>50,404</b>	<b>(418)</b>	<b>(13,418)</b>	<b>58,935</b>	<b>8</b>	<b>58,943</b>

\* Restated – see note 1

**Unaudited consolidated cash flow statement**  
**For the six months ended 31 December 2006**

	Six months ended 31 December 2006 £'000	Six months ended 31 December 2005 £'000	Year ended 30 June 2006 £'000
<b>Cash flows from operating activities</b>			
<b>Loss before tax</b>	<b>(2,544)</b>	(1,609)	(2,751)
Interest receivable	<b>(68)</b>	(113)	(276)
Interest payable	<b>46</b>	25	54
Share based payment - value of employee services	<b>108</b>	65	130
Depreciation	<b>203</b>	51	157
Amortisation of intangible assets	<b>384</b>	42	307
Loss on disposal of property, plant & equipment	<b>1</b>	-	-
(Profit) on sale of product rights	<b>(1,295)</b>	-	-
Exchange (gain)/loss	<b>(152)</b>	(43)	30
	<b>(3,317)</b>	(1,582)	(2,349)
<b>Changes in working capital (excluding effects of acquisitions)</b>			
Increase in inventories	<b>(370)</b>	(121)	(33)
Decrease/(increase) in receivables	<b>1,657</b>	1,429	(195)
Decrease in payables	<b>(315)</b>	(1,321)	(379)
(Decrease)/increase in provisions	<b>(21)</b>	-	19
<b>Net cash outflow from operations</b>	<b>(2,366)</b>	(1,595)	(2,937)
Interest paid	<b>(40)</b>	(25)	(43)
Interest paid on finance lease	<b>(6)</b>	-	(11)
Taxation paid	<b>(107)</b>	(74)	(172)
<b>Net cash used in operating activities</b>	<b>(2,519)</b>	(1,694)	(3,163)
<b>Investing activities</b>			
Interest received	<b>88</b>	113	268
Purchases of property, plant and equipment	<b>(292)</b>	(37)	(126)
Proceeds from sale of property, plant and equipment	<b>36</b>	-	-
Purchase of intangible assets	<b>(15)</b>	-	(57)
Proceeds from sale of product rights	<b>1,383</b>	-	-
Acquisition of subsidiary undertaking, net of cash acquired	<b>(612)</b>	-	(2,181)
<b>Net cash from/(used in) investing activities</b>	<b>588</b>	76	(2,096)
<b>Financing activities</b>			
Repayments of obligations under finance leases	<b>(44)</b>	(7)	(33)
Proceeds from issue of new loans	<b>54</b>	-	42
Proceeds from issue of share capital	<b>47</b>	7,420	7,518
Share issue costs	<b>-</b>	(283)	(2,242)
<b>Net cash from financing activities</b>	<b>57</b>	7,130	5,285
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,874)</b>	5,512	26
Cash and cash equivalents at 1 July	<b>4,470</b>	4,444	4,444
Effect of foreign exchange rate changes	<b>(51)</b>	6	-
<b>Cash and cash equivalents at end of period/year</b>	<b>2,545</b>	9,962	4,470
Cash and cash equivalents includes:			
Cash and cash equivalents	<b>2,545</b>	10,671	5,036
Bank overdrafts	<b>-</b>	(709)	(566)
<b>Cash and cash equivalents</b>	<b>2,545</b>	9,962	4,470

## Notes to the financial information

### 1. Basis of preparation

This financial information comprises the consolidated interim balance sheets as at 31 December 2006, 30 June 2006 and 31 December 2005 and related consolidated interim statements of income and cash flows for the six months then ended of Sinclair Pharma plc (herein after referred to as 'financial information').

In preparing this financial information management has used the principal accounting policies as set out in the Group's annual report for the year ended 30 June 2006.

The Group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing its 2006 interim statement, and therefore, this financial information is not in compliance with IFRS.

The interim financial information has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 but has been reviewed by the auditors in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. The Company's statutory accounts for the year ended 30 June 2006 have been delivered to the Registrar of Companies; the report of the auditors on these accounts was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The unaudited comparative figures in the income statement for the period to 31 December 2005 have been restated to reflect a lower IFRS2 charge in respect of share options and warrants. The original charge of £385k included options which had already vested prior to the date of conversion to IFRS and which should not have been reflected in the charge for the period to 31 December 2005. The restated charge is £65k, a reduction of £320k.

This announcement was approved by the Board of Sinclair Pharma plc on 23 March 2007.

### 2. Revenue

An analysis of revenue type is given below:

	<b>Six months ended 31 December 2006 £000</b>	Six months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Product revenue	<b>8,292</b>	3,278	10,376
Royalties	<b>376</b>	216	719
Licence fees and milestones	<b>441</b>	217	528
	<b>9,109</b>	3,711	11,623

An analysis of revenue by geographical destination is given below:

	<b>Six months ended 31 December 2006 £000</b>	Six months ended 31 December 2005 £000	Year ended 30 June 2006 £000
United Kingdom	<b>848</b>	348	496
Rest of Europe	<b>7,154</b>	2,131	7,978
United States of America	<b>659</b>	1,155	2,755
Rest of World	<b>448</b>	77	394
	<b>9,109</b>	3,711	11,623

### 3. Exceptional Items

Exceptional items represent significant items of income and expense which due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

	<b>Six months ended 31 December 2006 £000</b>	Six months ended 31 December 2005 £000	Year ended 30 June 2006 £000
Goodwill adjustment	<b>(147)</b>	-	-
Provision for doubtful debt	<b>(771)</b>	-	-
Income from sale of product rights	<b>1,295</b>	-	-
	<b>377</b>	-	-

Provision has been made during the period for a doubtful debt due from a distributor. The Directors' expect to recover the full amount of the debt, but as it is significantly beyond its normal payment terms a provision has been made.

### 4. Loss per share

The basic loss earnings per share has been calculated by dividing the loss for the period/year, by the weighted average number of shares in existence for the period/year.

Shares held by the Employee's Share Trust, including shares over which options have been granted to Directors and staff, have been excluded from the weighted average number of shares for the purposes of calculation of the loss per share.

The loss and weighted average number of shares for the purpose of calculating the diluted loss per share are identical to those used for the loss per share at 31 December 2006, 31 December 2005 and 30 June 2006, as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive.

	<b>Six months ended 31 December 2006</b>	Six months ended 31 December 2005 (restated)	Year ended 30 June 2006
<b>Basic and diluted EPS</b>			
Net loss before exceptional items (£000)	<b>(3,093)</b>	(1,609)	(2,836)
Exceptional items (£000)	<b>377</b>	-	-
Net loss (£000)	<b>(2,716)</b>	(1,609)	(2,836)
Weighted average number of shares	<b>86,967,261</b>	53,903,261	63,400,983
Loss per share before exceptional items	<b>(3.5)p</b>	(3.0)p	(4.5)p
Exceptional items	<b>0.4p</b>	-	-
Basic and diluted loss per share	<b>(3.1)p</b>	(3.0)p	(4.5)p

## 5. Trade and other receivables

	<b>31 December</b>	31 December	30 June
	<b>2006</b>	2005	2006
	<b>£000</b>	£000	£000
Trade receivables net of provisions	<b>4,887</b>	2,980	6,294
Other receivables	<b>440</b>	218	1,214
Prepayments and accrued income	<b>872</b>	274	564
	<b>6,119</b>	3,472	8,072

## 6. Trade and other payables

	<b>31 December</b>	31 December	30 June
	<b>2006</b>	2005	2006
	<b>£000</b>	£000	£000
Trade payables	<b>3,306</b>	1,588	3,687
Other tax and social security	<b>532</b>	206	579
Other payables	<b>427</b>	167	203
Accruals and deferred income	<b>1,945</b>	1,061	1,686
	<b>6,210</b>	3,022	6,155

## 7. Acquisition of Ashbourne Pharmaceuticals Limited

On 26 September 2006, the Group completed the acquisition of 100% of the ordinary share capital of Ashbourne Pharmaceuticals Limited for a cash consideration of £1.25m plus costs of acquisition.

The pre-acquisition carrying values and provisional fair values of the net assets acquired were:

	Book value	Fair value	Fair value
	£000	adjustments	£000
	£000	£000	£000
Property, plant and equipment	312	-	312
Inventories	178	-	178
Trade and other receivables	407	-	407
Cash	712	-	712
Trade and other payables	(653)	-	(653)
<b>Net assets acquired</b>	<b>956</b>	-	<b>956</b>
Goodwill arising on consolidation			368
			<b>1,324</b>
<b>Consideration satisfied by:</b>			
Cash			1,250
Costs of acquisition			74
			<b>1,324</b>

## **Independent review report to Sinclair Pharma plc**

### **Introduction**

We have been instructed by the company to review the financial information which comprises: consolidated income statement, consolidated statement of changes in shareholders' equity, consolidated balance sheet information as at 31 December 2006, consolidated cash flow statement, comparative figures and associated 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.

### **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 AIM Rules 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 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 United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report has been prepared for and only for the company for the purpose of the AIM Rules 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 31 December 2006.

### **PricewaterhouseCoopers LLP**

Chartered Accountants  
Cambridge

26 March 2007

### **Notes:**

(a) The maintenance and integrity of the Sinclair Pharma 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.