Sinclair Pharma plc

Interim Report to 31 December 2005

SINCLAIR

Corporate objectives

To achieve sustained growth in shareholder value and to ensure that this is reflected in the Company's share price performance whilst developing and maintaining an excellent reputation and achieving the best standards of corporate and social responsibility.

Sinclair Pharma plc

Interim Results

Godalming, 13 March 2006: Sinclair Pharma plc ("Sinclair" or the "Company"), the rapidly growing specialty pharmaceutical company, announces its interim results for the six months ended 31 December 2005.

Acquisition of Groupe CS Dermatologie SAS ("GCSD") and Vendor Placing

- Proposed acquisition transforms dermatology business of Sinclair (see separate announcement)
- Vendor Placing of £35 million at 125p per share

Financial Highlights

- Turnover on continuing operations up 363% to £3.7m (H1 2004/5: £0.8m)
  - Product revenues up 493% to £3.3m (H1 2004/5: £0.6m) of which £1.1m comes from Sinclair Srl (formerly Euroderm)
- Operating loss of £2.0m (H1 2004/5: £2.2m loss)
- Loss per share of 3.58p (H1 2004/5: 4.29p loss per share)
- Cash of £10.7m at 31 December 2005 (31 December 2004: £6.7m)
  - £7.4m (£7.1m net of expenses) raised via institutional placing at 125p per share in November 2005
- Healthy order book and over 20 planned product launches in the second half underpin positive outlook

Operating Highlights

- 18 product launches in 14 European countries, including:
  - Atopiclair™ launched in Italy via Sinclair srl and Portugal by Dysanovis
  - Aloclair® launched in ten European countries by Sunstar Butler

- 13 licensing deals in 7 countries, including:
  - Decapinol® licensed to Pharmbio Co Ltd in Korea
  - Sebclair™ licensed to CVP Inc in the US
  - All three Aloclair® presentations licensed to Sunstar Butler in Mexico
- Continued strong regulatory progress:
  - Decapinol® Toothpaste & Gel received EU regulatory approval
  - FDA extends labelling of Decapinol® to include treatment of plaque
  - Decapinol® Rinse filed in US with FDA for "Ethical Product" Status allowing OTC sales
  - Sebclair™ double blind trial provided positive results

Steve Harris, Non-executive Chairman, said:

"Product revenues have increased nearly 500%. With underlying organic revenue growth of 222% per cent excluding Sinclair srl (formerly Euroderm) over the same period last year, we are satisfied with our financial performance in the first half.

Today's transforming acquisition of Groupe CS Dermatologie, provides us with a substantially enlarged product portfolio and pipeline and a direct sales force in three European markets. We are therefore increasingly optimistic about the full year."

Steve Harris, Non-executive Chairman

CHIEF EXECUTIVE'S REVIEW

Overview

The first half this year has further demonstrated the successful realisation of Sinclair's evolving business strategy. First half turnover was up by 363% from £0.8 million to £3.7 million. We have continued to see positive progress on all fronts as Sinclair implements its strategy of becoming an integrated international pharmaceutical company with a broad portfolio of on-market niche products in the areas of dermatology and oral health. Our strategy has taken another major step forward with the announcement today of our fifth and most significant acquisition, of Groupe CS Dermatologie SAS ("GCSD") which, when completed, will add a direct sales force in France, Spain and Portugal and more than twelve further derma products to our portfolio. GCSD had sales in 2005 of €17.7 million (£12.0 million).

In the first half we received EU regulatory approval for two Decapinol® line extensions, Toothpaste and Gel, which will expand our market for this important product. In licensing, a further 13 deals have been concluded in 7 countries covering 8 of our products. Furthermore, the successful integration of last year's Euroderm acquisition in Italy (now Sinclair Srl) has enabled the Company to launch Atopiclair™ using its own sales force, the first launch of a Sinclair product by its own sales force. In the period under review our licensees have also justified our selection strategy by achieving 17 further launches involving 7 products.

During the first half our products Decapinol® and Sebclair™ both received encouraging endorsements, respectively from the FDA and from a clinical trial. The FDA has allowed an important change to the labelling of Decapinol® to include 'treatment of plaque' which further underlines the uniqueness of this product. Also received in the first half were positive results for Sebclair™, the Group's non-steroidal cream for the treatment of seborrheic dermatitis.

Aloclair®, our product for mouth ulcers, continues to provide a significant part of total revenues. However, sales income from core products such as Atopiclair™ and Decapinol® is growing as further launches take place.

Product launches during the half year to 31 December 2005 can be expected to continue to boost revenues as will more than 20 further launches anticipated in the second half, six of which have already been achieved post-period.

Financial Highlights

This is the first period in which we report our results under International Financial Reporting Standards (IFRS). The interim figures for the six months ended 31 December 2004 and the year ended 30 June 2005 have been restated as set out in the Group's IFRS transition document published today, which is available on our website, www.sinclairpharma.com.

With the increasing sales from our growing stable of on-market products, turnover in the first half to 31 December 2005 was up 363% at £3.7 million against the first half of 2004/5 of £0.8 million. Underlining the transformation of our revenue streams, our product revenues increased 493% to £3.3 million, which included £1.1 million received from Sinclair Srl, acquired in January 2005. Revenue from licence fees, milestones and royalties increased by 79% to £0.4 million, from £0.2 million last year, as a result of increased royalties receipts.

The operating loss for the period of £2.0 million (H1 2004/5: £2.2 million loss) is slightly lower than in the previous half year. Whilst revenues have grown there was significant investment in Sinclair's operating infrastructure in the second half of the last financial year, and the first half of the current financial year has felt a full charge of these costs. Under IFRS, administrative expenses no longer include a charge for goodwill amortisation, although a charge for share options issued to employees and directors of £0.4 million has been made in the period (2004/5: £0.4 million).

Sinclair has actively pursued acquisition opportunities since 2000 to strengthen its product portfolio and with the aim of building a specialty pharmaceutical sales force. It has successfully completed and integrated four acquisitions to date in addition to the proposed acquisition of GCSD announced today. In November 2005, the Company raised £7.4 million before expenses through an institutional placing. The net proceeds of £7.1 million from the placing has provided the Company with additional flexibility to make selective and timely acquisitions as further opportunities arise. As a consequence of the placing our cash balance at 31 December 2005 stood at £10.7 million (2004: £6.7 million).

LICENSING AND PRODUCT LAUNCHES

Sinclair continues to enter licensing agreements with partners whom Sinclair believes are the most appropriate to bring a particular product rapidly to market in the licensee's territory. This half-year Sinclair has completed 13 licensing agreements in 7 countries for 8 of its products. Sinclair now has licensing agreements in place in over 50 countries around the world. Product launch activity has been equally brisk with 18 launches in the period and a further 6 launched post period.

Licensing during the period

- **Sebclair™ for Seborrheic Dermatitis**

  CVP Inc has licensed Sebclair™, Sinclair's treatment for seborrheic dermatitis in the USA. This follows the licensing to CVP Inc last year and the US launch in June 2005 of Sinclair's core derma product Atopiclair™, for the treatment of atopic and contact dermatitis.

- **Xclair™ for Radiation Dermatitis**

  Licensed to Pharmis Group in Portugal and Brazil and to Anabiosis in Greece.

- **Salinum™ for Severe Dry Mouth Syndrome**

  Licensed to SSM in Turkey and Anabiosis in Greece.

- **SST™ for Dry Mouth Syndrome**

  Licensed to SSM in Turkey.

- **Aloclair® Rinse, Gel and Spray for Mouth Ulcers and Oral Lesions**

  All three presentations were licensed to Sunstar Butler in Mexico. Sunstar Butler is a major licensee of these products with agreements in place in many countries including the USA.

  Aloclair™ Rinse and Gel were also licensed to SSM in Turkey.

- **Decapinol® Rinse for Gingivitis**

  Pharmbio Korea has become our distributor in South Korea for Decapinol®.

18 Product Launches during the period

Atopiclair™ – First Launch by a Sinclair sales force

Sinclair launched Atopiclair™ in Italy through Sinclair srl. This is Sinclair's first product launch through its own sales force. This route to market gives us greater control over our product as well as higher margins. Up until now, our strategy has been to appoint licensing partners to commercialise our products. Having our own sales force represents a significant step in the evolution of the Company's distribution strategy and will lead to a substantially improved margin for the product.

Atopiclair™ contains no corticosteroids and is expected to be welcomed for use in the paediatric market. In Italy, Sinclair srl has signed a one year co-promotion deal there with the Madaus Group's Italian subsidiary, Madaus Srl (Madaus). Madaus will promote Atopiclair™ to the Italian paediatric market. Atopiclair™ is the first of our growing portfolio of approved products that we will sell directly in Italy.

Atopiclair™ was also launched in Portugal by Dysanovis, appointed by the Company in February 2005.

Aloclair® Aloclair® is now being marketed in three presentations: Rinse in 60ml and 120ml bottles; Gel and Spray

- Aloclair® Rinse launched in Finland, Sweden, Norway, Denmark and Holland by Sunstar Butler
- Aloclair® Gel launched in Holland by Sunstar Butler
- Aloclair® Spray launched in Holland and a further 3 Central European countries by Sunstar Butler, in Italy by Recordati and in Turkey by SSM.

Xclair™ – launched in the UK by Crawford Pharmaceuticals.

Salinum™ – launched in Austria by Novopharm Bio, in the UK by Crawford Pharmaceuticals and in Germany by ORCA.

REGULATORY AND CLINICAL PROGRESS

Decapinol®

Line extension approvals in EU

In early July 2005 Sinclair's Decapinol® line extensions, Decapinol® Toothpaste (a toothpaste for treating gingivitis) and Decapinol® Gel (a product for the intensive professional treatment of gum infections) obtained EU regulatory approval. These products are based on the technology behind Decapinol® and the registrations significantly increase the addressable market for Decapinol®.

US Extension of labelling by FDA

Following Decapinol®'s US registration approval in April 2005, the Compnay, in October 2005, secured the agreement of the FDA to an important change to the labelling of the product to include **treatment of plaque**. The Group sees the revised labelling as an important advance and one that will assist in establishing the platform for Decapinol®. In the US approximately 80% of the adult population are estimated to have some degree of gum inflammation, resulting in a US prescription market for mouthwashes that may exceed US$100 million. OTC mouthwash brands contribute to a several fold larger total market.

The FDA approved Decapinol® last year as a medical device which may be sold on prescription. This approval has encouraged Sinclair in addition to file with the FDA for "OTC Product" status for Decapinol® Rinse. When granted this would allow Decapinol® OTC sales to address a much larger market. We believe that Decapinol® has the potential to become a viable contender in this market since clinical trials have proved Decapinol® to be well tolerated and effective with clear unique advantages.

Sebclair™

Positive US Trial

In November the Company was pleased to receive the positive results of a 60 patient double-blind Sebclair™ trial. The study was carried out in two centres, in the United States (Texas Dermatology Research Institute – TDRI) and in Italy (European Dermatology Institute – IDE). The primary endpoint was the Investigators' Global Assessment (IGA). 40 patients were allocated to Sebclair™ and 20 allocated to vehicle control. Preliminary information on the trial results was very positive with a highly statistically significant difference (Fisher's exact test: $p < 0.0001$) being observed for the primary endpoint. 27 out of 40 patients using Sebclair™ were clear or almost totally clear of symptoms and signs on IGA versus two out of 18 patients in the control group after four weeks of treatment. The Company is very encouraged by these results, which confirm the efficacy of Sebclair™ in seborrheic dermatitis and support the results obtained from earlier studies. Sebclair™ is already registered in the EU and has been filed with the FDA for registration in the US. The first EU launch of Sebclair™ is planned during the current financial year.

MANAGEMENT

Alexis Prenn, who has been a non-executive director for more than five years, decided not to propose himself for re-election at this year's AGM. He has now resigned and the Board and I would like to thank him for his valuable contribution to Sinclair.

POST PERIOD

Change of Adviser

In January 2006 the Company announced that Nomura International plc was no longer acting as joint broker to the Company. Piper Jaffray Ltd. who were appointed as nominated advisor and joint broker to the Company in September 2005 will continue in this role along with joint broker Bridgewell Securities Limited.

Board Change

The Board was very pleased to welcome Penny Freer as Non-executive Director in January 2006. Penny has been involved in small and mid-cap investment banking for almost 20 years, most recently as Head of Equities in London for Robert W Baird, the US investment bank. Penny was previously responsible for Credit Lyonnais' small and mid-cap equities activities.

Product launches

Sinclair's licensing strategy is to grant licences to those companies who the Company believes are best suited to getting its products to market as rapidly and effectively as possible. At the end of June 2005 Align Pharmaceuticals were licensed to distribute Xclair™, Salinum™ and SST™ in US and Canada. All three of these products were launched in the US in January 2006.

Decapinol® Rinse was launched in Spain by Inibsa in January 2006.

Aloclair® rinse was launched by Sunstar Butler in Spain and Aloclair® Spray by Vicis in Hungary also in January.

ANNOUNCED TODAY

Acquisition of Groupe CS Dermatologie SAS

In a separate announcement, the Company today announced the acquisition of the private French pharmaceutical company Groupe CS Dermatoligie SAS for an initial consideration of €51m (£35.3m) financed as to £35m by a Vendor Placing at 125p per share with the balance of £0.3m, together with a further €2.1m (£1.5m) payable 20 business days after completion, being met out of the Company's cash resources. Further performance related deferred consideration of up to €25m is payable over a period of four years. The proposed acquisition will strengthen Sinclair's financial position by adding significant revenues and will provide critical mass to Sinclair's existing commercial activities. GCSD has twelve on-market dermatology products which in 2005 had total sales revenues of €17.7 million (£12.0 million).

Sinclair today announced that its US Atopiclair™ licensee Chester Valley Pharmaceuticals Inc ("CVP") has enlarged its sales force to sell Atopiclair™, Sinclair's product for the treatment of atopic and contact dermatitis. CVP has also entered into a US marketing co-operating agreement with Lupin Pharmaceutical Inc to target the paediatric atopic dermatitis market.

Sinclair has also in-licensed from a US inventor, Dr Mark Bogart, the rights to patents for a new product to treat onychomycosis, a refractory chronic fungal infection that causes the toenails to thicken, discolour, disfigure and split.

OUTLOOK

Sinclair's existing order book continues to be strong and following completion of the proposed acquisition, this will be augmented by orders from the newly acquired GCSD product portfolio. We expect more than 20 launches of Sinclair products prior to the fiscal year-end in June, of which six have been achieved in January 2006. These launches, should generate further orders, as our products establish themselves in these new markets.

The anticipated completion of the GCSD acquisition brings with it an enlarged product portfolio and increased revenues. Combined with Sinclair's strong current trading position and growing order book, the Company remains optimistic about prospects for the full year and approaches the fiscal 2006 year-end with confidence.

Dr. Michael Flynn
Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

For the six months to 31 December 2005 (Unaudited)

	Notes	***Six months ended 31 December 2005 £'000***	*Six months ended 31 December 2004 £'000*	*Year ended 30 June 2005 £'000*
REVENUE	2	**3,711**	796	6,971
Cost of sales		**(1,588)**	(408)	(2,616)
GROSS PROFIT		**2,123**	388	4,355
Administrative expenses				
Selling, marketing and distribution		**(1,493)**	(576)	(2,489)
Other administrative expenses		**(2,647)**	(1,992)	(4,552)
Total administrative expenses		**(4,140)**	(2,568)	(7,041)
OPERATING LOSS		**(2,017)**	(2,180)	(2,686)
Interest receivable		**113**	149	248
Interest payable and similar charges		**(25)**	(1)	(18)
LOSS BEFORE TAXATION		**(1,929)**	(2,032)	(2,456)
Taxation		**–**	(10)	(45)
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**(1,929)**	(2,042)	(2,501)
Basic and diluted loss per share	3	**(3.58)p**	(4.29)p	(5.09)p

CONSOLIDATED BALANCE SHEET

At 31 December 2005 (Unaudited)

	Notes	***31 December 2005 £'000***	*31 December 2004 £'000*	*30 June 2005 £'000*
NON-CURRENT ASSETS				
Goodwill		**18,105**	14,830	18,105
Other intangible assets		**1,141**	1,224	1,183
Property, plant and equipment		**361**	169	393
		19,607	16,223	19,681
CURRENT ASSETS				
Inventories		**722**	82	601
Trade and other receivables	4	**3,472**	1,607	4,901
Current tax receivables		**57**	38	–
Cash and cash equivalents		**10,671**	6,680	4,908
		14,922	8,407	10,410
TOTAL ASSETS		**34,529**	24,630	30,091
CURRENT LIABILITIES				
Trade and other payables	5	**(3,022)**	(2,031)	(4,343)
Current tax liabilities		**–**	–	(17)
Financial liabilities – borrowings		**(727)**	–	(480)
		(3,749)	(2,031)	(4,840)
NON-CURRENT LIABILITIES				
Financial liabilities – borrowings		**(168)**	–	(175)
TOTAL LIABILITIES		**(3,917)**	(2,031)	(5,015)
NET ASSETS		**30,612**	22,599	25,076
EQUITY				
Share capital		**652**	552	592
Share premium account		**23,248**	17,303	16,171
Shares to be issued		**–**	2,251	–
Other reserves		**16,361**	10,707	16,418
Profit & loss account		**(9,645)**	(8,210)	(8,101)
		30,616	22,603	25,080
Minority equity interests		**(4)**	(4)	(4)
TOTAL EQUITY		**30,612**	22,599	25,076

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS'EQUITY (UNAUDITED)

	Share capital £'000	*Share premium £'000*	*Shares to be issued £'000*	*Merger reserve £'000*	*Cumulative translation reserve £'000*	*Other reserves £'000*	*Retained earnings £'000*	*Attributable to equity holders of the parent £'000*	*MI £'000*	*TOTAL £'000*
BALANCE AT 1 JULY 2004	539	16,030	4,367	10,062	–	698	(6,577)	25,119	(4)	25,115
Loss for the period	–	–	–	–	–	–	(2,042)	(2,042)	–	(2,042)
Exchange differences arising on translation of foreign operations	–	–	–	–	(50)	–	–	(50)	–	(50)
Net (expense) recognised directly in equity	–	–	–	–	(50)	–	(2,042)	(2,092)	–	(2,092)
TOTAL RECOGNISED (EXPENSE)/INCOME FOR THE PERIOD	–	–	–	–	(50)	–	(2,042)	(2,092)	–	(2,092)
Warrants and options exercised	–	3	–	–	–	(3)	37	37	–	37
Share based payments – value of employee services	–	–	–	–	–	–	372	372	–	372
Biosurface acquisition	13	1,270	(2,116)	–	–	–	–	(833)	–	(833)
BALANCE AT 1 JANUARY 2005	552	17,303	2,251	10,062	(50)	695	(8,210)	22,603	(4)	22,599
Loss for the period	–	–	–	–	–	–	(459)	(459)	–	(459)
Exchange differences arising on translation of foreign operations	–	–	–	–	98	–	–	98	–	98
Net (expense) recognised directly in equity	–	–	–	–	98	–	(459)	(361)	–	(361)
TOTAL RECOGNISED (EXPENSE)/INCOME FOR THE PERIOD	–	–	–	–	98	–	(459)	(361)	–	(361)
Warrants and options exercised	4	138	–	–	–	(9)	161	294	–	294
Share based payments – value of employee services	–	–	–	–	–	–	407	407	–	407
Biosurface acquisition	13	(1,270)	(2,251)	2,824	–	–	–	(684)	–	(684)
Euroderm acquisition	23	–	–	2,798	–	–	–	2,821	–	2,821
BALANCE AT 1 JULY 2005	592	16,171	–	15,684	48	686	(8,101)	25,080	(4)	25,076
Loss for the period	–	–	–	–	–	–	(1,929)	(1,929)	–	(1,929)
Exchange differences arising on translation of foreign operations	–	–	–	–	(57)	–	–	(57)	–	(57)
Net (expense) recognised directly in equity	–	–	–	–	(57)	–	(1,929)	(1,986)	–	(1,986)
TOTAL RECOGNISED (EXPENSE)/INCOME FOR THE PERIOD	–	–	–	–	(57)	–	(1,929)	(1,986)	–	(1,986)
Warrants and options exercised	1	16	–	–	–	–	–	17	–	17
New issue of ordinary share capital	59	7,344	–	–	–	–	–	7,403	–	7,403
New share issue costs	–	(283)	–	–	–	–	–	(283)	–	(283)
Share based payments – value of employee services	–	–	–	–	–	–	385	385	–	385
BALANCE AT 31 DECEMBER 2005	652	23,248	–	15,684	(9)	686	(9,645)	30,616	(4)	30,612

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005 (Unaudited)

	Six months ended 31 December 2005 £'000	*Six months ended 31 December 2004 £'000*	*Year ended 30 June 2005 £'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
OPERATING LOSS	**(2,017)**	(2,180)	(2,686)
Adjustments for:			
Share based payment – value of employee services	**385**	372	779
Depreciation	**51**	22	99
Amortisation of intangible assets	**42**	41	83
Exchange gains	**(43)**	(6)	(57)
	(1,582)	(1,751)	(1,782)
CHANGES IN WORKING CAPITAL			
(Increase)/decrease in inventories	**(121)**	27	(287)
Decrease/(increase) in receivables	**1,429**	530	(2,267)
(Decrease)/increase in payables	**(1,321)**	326	1,928
Increase in provisions	**–**	–	23
NET CASH OUTFLOW FROM OPERATIONS	**(1,595)**	(868)	(2,385)
Taxation paid	**(74)**	(238)	(238)
Taxation received	**–**	23	23
Interest paid	**(25)**	(1)	(18)
NET CASH USED IN OPERATING ACTIVITIES	**(1,694)**	(1,084)	(2,618)
INVESTING ACTIVITIES			
Interest received	**113**	148	248
Purchases of property, plant and equipment	**(37)**	(73)	(280)
Acquisition of subsidiary undertaking, net of cash acquired	**–**	–	(1,201)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**76**	75	(1,233)
FINANCING ACTIVITIES			
Repayments of obligations under finance lease	**(7)**	–	(1)
Proceeds from issue of new loan	–	–	135
Proceeds from issue of share capital	**7,420**	–	195
Share issue costs	**(283)**	–	–
Proceeds from issue of share capital – ESOT	**–**	–	222
NET CASH FROM FINANCING ACTIVITIES	**7,130**	–	551
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5,512**	(1,009)	(3,300)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	**4,444**	7,683	7,683
Effect of foreign exchange rate changes	**6**	6	61
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	**9,962**	6,680	4,444

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

1. BASIS OF PREPARATION

The interim financial information for the six months ended 31 December 2005 is unaudited and has been prepared in accordance with the Group's accounting policies, based on IFRS as adopted by the European Union, that are expected to apply for the year ending 30 June 2006. IFRS remains subject to amendment and interpretation by the International Accounting Standards Board (IASB) and there is an ongoing process of review and endorsement by the European Commission.

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 2005, prepared under UK GAAP, 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.

2. REVENUE ANALYSIS

An analysis of revenue type is given below:

	Six months ended 31 December 2005 £'000	*Six months ended 31 December 2004 £'000*	*Year ended 30 June 2005 £'000*
Product revenue	**3,278**	554	4,484
Licence fees and milestones	**217**	236	2,257
Royalties	**216**	6	230
	3,711	796	6,971

An analysis of turnover by geographical destination is given below:

	Six months ended 31 December 2005 £'000	*Six months ended 31 December 2004 £'000*	*Year ended 30 June 2005 £'000*
United Kingdom	**348**	116	752
Rest of Europe	**2,131**	387	3,811
United States of America	**1,155**	273	2,278
Rest of World	**77**	20	130
	3,711	796	6,971

3. EARNINGS 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 2005, 31 December 2004 and 30 June 2005, as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive.

	Six months ended 31 December 2005	*Six months ended 31 December 2004*	*Year ended 30 June 2005*
BASIC AND DILUTED EPS			
Net loss (£'000)	**(1,929)**	(2,042)	(2,501)
Weighted average number of shares	**53,903,261**	47,556,689	49,055,798
Basic and diluted loss per share	**(3.58)p**	(4.29)p	(5.09)p

4. TRADE AND OTHER RECEIVABLES

	Six months ended 31 December 2005 £'000	*Six months ended 31 December 2004 £'000*	*Year ended 30 June 2005 £'000*
Trade debtors	**2,980**	1,035	4,201
Other debtors	**218**	362	387
Prepayments and accrued income	**274**	210	313
	3,472	1,607	4,901

5. TRADE AND OTHER PAYABLES

	Six months ended 31 December 2005 £'000	*Six months ended 31 December 2004 £'000*	*Year ended 30 June 2005 £'000*
Trade payables	**1,588**	599	2,475
Other tax and social security	**206**	84	101
Other creditors	**167**	168	732
Accruals and deferred income	**1,061**	1,180	1,035
	3,022	2,031	4,343

INDEPENDENT REVIEW REPORT TO SINCLAIR PHARMA PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 December 2005 which comprises consolidated interim balance sheet as at 31 December 2005 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity (unaudited) for the six months then ended and 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.

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.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with accounting International Financial Reporting Standards (IFRSs) as adopted by the European Union. This interim report has been prepared in accordance with the basis set out in Note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 30 June 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
Cambridge

13 March 2006

(Designed and printed by Perivan 206426)

Sinclair Pharma PLC

Directors, Secretary and Advisers

Directors and Secretary

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Dr Michael John Flynn MBBS, MRCS, LRCP, FFP.RCP (Dist) (*Chief Executive Officer*)

Jeremy Anthony Philip Randall ACA (*Chief Financial Officer*)

Andrew John Sinclair Ph.C., MR Pharm.S (*Non-executive Director*)

Grahame Cook MA(Hons)(Oxon), ACA (*Non-executive Director*)

Penny Freer (*Non-executive Director*)

Sonya Downer (*Company Secretary & Group Financial Controller*)

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