SPH.L

Sinclair Pharma plc

Interim results for the six months ended 31 December 2009

Sinclair Pharma plc (SPH.L), ("Sinclair" or the "Company") the international specialty pharma company, today announces its half yearly results for the six months ended 31 December 2009.

Financial Highlights

- **Total revenues of £11.0m** (H1 09: £16.2m)
- **EBITDA loss of £2.4m pre exceptional items** (H1 09: profit of £2.2m)
- **Operating loss of £3.9m pre exceptional items** (H1 09: profit of £0.9m)
- **Net exceptional charges of £9.8m** (H1 09: credits of £3.2m)
- **Operating loss post exceptional items of £13.7m** (H1 09: profit of £4.0m)
- **Loss per share of 3.4p pre exceptional items** (H1 09: earnings per share of 0.4p)
- **Cash balance of £8.3m at 31 December** (December 2008: £2.4m)

Business Highlights

- Business undergoes fundamental changes towards period end
- Chris Spooner appointed as new CEO
- Cost reduction program introduced and secures £1.5m of savings on an annualised basis
- Successful Placing and Open Offer raises £18.2m and new £12.0m debt facility secured
- Acquisition of well known Flammazine and Flammacerium products
    - Sold in 45 countries with annual revenues in excess of £9 million
- New senior management appointments and restructuring underpins commercial focus
- Business primed for organic and acquisition based growth
- Board is confident of future prospects as profitability trends improve into H2 and beyond

Operating Highlights

- US license with Orapharma inc. for Decapinol terminated
    - Facilitates a new marketing partner and entry into larger OTC market
- New direct sales capability established in France to promote OTC dermatology franchise
- Italian affiliate reported a 62% increase in revenues of our dermatology franchise
- Sales presence extended in Europe through creation of Sinclair Pharma GmbH

Grahame Cook, Non-executive Chairman commented:

The Company has entered into a new phase of its development with the departure of its founders Michael Flynn and Jerry Randall, to whom we express our gratitude for bringing the company from its inception to becoming a leading presence in the specialty pharmaceuticals sector. Our new CEO, Chris Spooner, has already concluded an in depth review of the business and our strategic priorities and has begun to execute an energetic plan for change and growth as well as cutting unproductive parts of the cost base and product portfolio. This has been accompanied by a significant acquisition of assets from Solvay, which will help give our distribution platform better critical mass. The results of these vigorous actions are already bearing fruit and we look forward to the remainder of the financial year with optimism. The Company now has an excellent platform to deliver superior returns in the coming months and years.

For further information please contact:

Sinclair Pharma plc	Tel: +44 (0) 1483 410 600
Chris Spooner, CEO	
Alan Olby, CFO	
Singer Capital Markets Ltd	Tel: +44 (0)20 3205 7500
Shaun Dobson	
Claes Spång	
Biddicks, Financial Public Relations	Tel: +44 (0)20 7448 1000
Shane Dolan	

Notes to Editors:

About Sinclair Pharma Plc www.sinclairpharma.com
Sinclair Pharma plc is an international specialty pharmaceutical company providing solutions to treat wounds, dermatological and oral diseases through advanced surface technology and innovative delivery systems. It has a growing sales and marketing operation that is present in France, Italy, Germany and Spain, and a complementary marketing partner network that spans more than 90 countries.

"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.

CEO's Overview

The past three months have been perhaps the busiest in the history of the Company, following the recent acquisition of Flammazine and Flammacerium, simultaneous refinancing, and management changes. The new products are established and well-known brands sold in over 45 countries and currently generating over £9 million in annual revenues. Sinclair plans to grow these revenues via increased promotion, product development and new indications.

The new management team has embarked on a much-needed and rapid corporate restructuring programme. This exercise is still ongoing, but its benefits in terms of underlying profitability, transparency and employee productivity are already being felt. The Company now operates with a much flatter management structure. Defined objectives and KPIs together with greater individual responsibility have accelerated both decision making and management information systems. Indeed, I am delighted to report that without licensing income the Company was marginally EBITDA positive in December despite including just two weeks of Flammazine and Flammacerium sales and without the full benefit of recent cost savings. We are still in the process of assuming full control of Flammazine and Flammacerium logistics. As this process completes and further cost savings are enjoyed, we expect the trend of rising profitability to continue through this financial year.

Executive Management Team

We have strengthened our product development capabilities with the appointment of Simon Youlton as CCSO (Commercial Chief Scientific Officer), reporting to me as a key member of the Executive Management team. The finance function is headed by CFO Alan Olby and Operations Finance Director, Jean-Louis Lamandé. Both have been instrumental in installing improved management information systems which has significantly accelerated monthly performance reporting. Intellectual property management has returned to the corporate office under Legal Director Steve Redman, while our COO Christophe Foucher has now assumed full responsibility for all operations.

A key element of restructuring has been to decrease spending on administration and overhead and increase and reprioritise spending on development and marketing. The pre-licensing gross margin of 58% is low and reflects the Company's complexity and sourcing strategy. A full supply chain review is now in progress under the management of Vittorio Cavagnera, Head of Manufacturing and Logistics. We expect this will result in increased in-house production at Cléry and larger but fewer 3rd party manufacturing contracts. Inherent in this process is the need to decrease the number of SKUs. While I am optimistic for significant improvement in this area, logistical and contractual matters prevent overnight results. We expect to see a steady and rising gross margin trend over a three year period.

As part of the restructuring process, we have undertaken a strategic review of the Group's R&D pipeline, cutting certain projects and reprioritising others. This has resulted in a significant write down to the value of certain assets which will now not be developed as they do not match the Group's new strategy. This is a non-cash charge and reflects our best view of the current valuation of various technology programmes predominantly related to the Zinc Taurine and Silver nanotechnology.

We are also engaged in strengthening our regulatory affairs expertise to prepare for future growth and ensure that ongoing registrations are achieved in the shortest timeframes possible to reduce the time to market. The efficient integration of Flammazine and Flammacerium will be dependent on the swift transfer of marketing authorisations in the relevant territories, which span more than 50 countries. Mauro Capodiferro, Regulatory Affairs Director, who joined us in July, oversees this strategic goal.

In November Sinclair Pharma and Orapharma (Johnson & Johnson's specialist dental division) announced they had mutually terminated the Rx out-licensing venture for anti-gingivitis mouthwash Decapinol in the US. In doing so, we will not receive the budgeted milestone income which was due on the US Orapharma launch. However, at the time we also announced our intentions to sign a new marketing partner, to target the OTC market, to rely less on milestone payments and focus more on longer term profitability. We remain confident of our ability to fulfil these ambitions, and, while we expect lower one-off income, ultimately we intend to deliver superior value to shareholders and we hope to announce a US Decapinol deal with a new focus on the OTC opportunity during this calendar year.

While the Italian business has achieved a remarkable turnaround under Paolo Prioglio, the French business has continued to suffer. While sterling weakness has benefitted the bottom-line, we are confident that the long-term decline in this business is bottoming-out. Following a re-organisation of the French sales forces under recently appointed Patrick Loyer, we have already seen some encouraging signs of improvement, which should be further bolstered by the schedule of new products and line extensions due in the dermatology area this year.

Sinclair Pharma's dermatology franchise appears well-suited to emerging market demand. We continue to invest in international operations, and recently announced our intention to move the entire organisation to Paris, increase headcount and focus on emerging market opportunities via multi-product/multi-country deals wherever possible.

Beyond organic growth and restructuring, we have made clear our intention to grow and drive a step change in growth rate through product and corporate acquisitions and alliances. We continue to believe that asset prices remain depressed compared with recent years and that this is a favourable environment for pursuing such a strategy.

In line with our new corporate Values and Conduct statements, I am delighted to announce that Sinclair employees have adopted a corporate charity. Plans are well underway for a series of events during the year with employees giving up free time to help various nominated causes. I would like to take this opportunity to thank everyone involved.

Operations review

The company is undergoing widespread restructuring. We have identified eight broad areas for improvement – strategic brand focus, increased and more focused sales and marketing spend, improved expertise in regulatory affairs, reduced G&A spend, tighter financial control and a rigorous approach to investment decisions, supply chain simplification and cost reductions, reporting structure simplification, focused and higher technology product development.

Registrations: There is now a clear focus on accelerating the registration of our strategic brands in rapidly developing countries. 17 new applications were filed and five new registrations granted in 4 countries in H1.

Manufacturing: 5.2m units were produced during H1, with the products streamlining programme now starting to deliver a significant improvement on the gross margin. Important SKUs have been transferred in H1 from third party manufacturers to our own manufacturing facility in Cléry (France).

Country Operations:

France: A new dedicated sales force has started to sell and promote our OTC dermatology franchise directly to pharmacies since September 2009. We expect positive results in H2 following the initial warm up phase. Dermachronic, our line for the co-treatment of atopic dermatitis, has been launched to dermatologists, while Sinlice, our anti head-lice product, has been launched to pharmacists.

Italy: The sales force promoting our dermatology Rx franchise is now complete and we now have a near full coverage of Italy. Thanks to better execution and the launch of Dermacide Cica, our anti microbial gel, Rx sales revenue is now back to double digit growth. Our main partner for oral care, Recordati, has successfully launched Aloclair Teething Gel, our new product for the alleviation of the pain associated with teething symptoms.

Spain: We now have good coverage of the four main regions in Spain. However, the Spanish economic crisis is still limiting the prescription of our non reimbursed dermatology Rx franchise. In oral care, Italfarmaco has demonstrated a good uptake of Aloclair Plus, as has been the case in Italy.

Germany: In preparation for the integration of Flammazine, early December saw the creation of Sinclair Pharma GmbH following the appointment of Country Operation Director, Lothar Nau.

International Operations:

Our international operations team is now dedicating its resources into establishing a strong footprint in selected emerging markets, becoming the licensee of choice for US companies and maximising our product portfolio with the aim of securing multi-product/country deals with single partners in other territories. Sinclair's distribution agreements will now favour a higher transfer price instead of large up-front payments, which will help to improve the overall gross margin and to generate sustainable revenue going forward.

North America: Our treatment for seborrheic dermatitis, Sebclair, was launched by Promius in July. The last three months have shown a good uptake of dermatologist prescriptions. We have been actively seeking a strong partner for the OTC promotion of our anti-gingivitis mouthwash, Decapinol.

India: Our Indian partner, Wockhardt, has launched three strategic products for Sinclair: Aloclair, Papulex, for acne prone skin and Atopiclair, for atopic dermatitis. We are committed to strengthening and focusing the support given to Wockhardt in order to accelerate the uptake of Sinclair products in this country.

Turkey and Israel: An agreement has been signed with Biocodex to launch Papulex, Dermacide Cica and Herpclair in Turkey. Launches are expected in H2. Our Israeli partners are performing very well and Atopiclair is now the N°1 product prescribed for atopic dermatitis in that market.

Asia: We have continued to pursue the registration of our dermatology products in China. Preparation is underway for the launch of Aloclair Plus in Indonesia, which is expected in H2, while the Flammazine acquisition has enabled Sinclair to establish a presence in the Philippines for the first time.

Flammazine and Flammacerium

The last quarter has seen a strong effort to implement plans for the efficient integration of Flammazine and Flammacerium into our dermatology/woundcare franchise. First revenues were received in the last two weeks of December and we will consolidate the full revenue in H2.

Financial Review

Gross revenues declined by 32% to £11.0m compared with £16.2m in 2008. This is explained by a £5.1m fall in one-off licence fee income in the period. The prior year figures were boosted by the non-cash licence agreement with BMG for £3.3m and the disposal of Atopiclair rights in the US for £2.1m.

Revenues are made up as follows:

	2009	2008
	£m	£m
Country operations		
France	**4.7**	4.7
Italy	**2.3**	1.5
Spain	**0.1**	0.1
UK	**0.2**	0.2
Portugal	**-**	0.2
	7.3	6.7
International operations	**3.0**	3.7
Licence fees	**0.7**	5.8
	11.0	16.2

In France we have continued to see a 7% decline in revenues in constant currency terms, which have been masked by the depreciation of sterling against the euro. However, following the restructuring of our direct selling to pharmacy operation, we are confident of an improving performance in the second half.

Our Italian affiliate has performed very well, reporting a 62% increase in revenues of our dermatology franchise. This compares with a weak period in H1 09 after the sales push prior to June 2008,

however the performance following the sales force reorganisation has exceeded our expectations. A weak performance from the dermocosmetic range has held back the overall figures.

Partner sales in Italy were 74% better than H1 09, helped by the launch of Aloclair Plus and the teething gel line extension. Aloclair was our best performing product in the period, reporting growth of 56% at constant exchange rates, compared to H1 09.

International operations revenue includes an initial £0.2m contribution from the Flammazine franchise from the last 2 weeks of December following completion of the acquisition. The prior year figure included £0.9m revenue for Atopiclair in the US which is not included this year following the sale of the rights to Graceway in December 2008. On a like for like basis and excluding the impact of currency movements, revenues from international operations is around £0.4m lower than last year.

Gross profit for the period at £6.7m declined from £11.8m achieved in 2008 as a result of the £5.1m decline in licensing income as discussed above. This represents a pre-licensing gross margin of 58%, the same as achieved in the prior year.

Operating expenses, pre exceptional items, were reduced to £10.7m, from £11.0m in 2008, despite the negative impact of foreign exchange rates, and an increase in the amortisation charge of £0.3m. This reflects the benefits of the operational restructuring which commenced last year under the control of Christophe Foucher and focused on reducing administration expenses, while continuing to invest in sales and marketing. Selling, marketing and distribution costs were flat compared with 2008, the impact of sterling weakness against the Euro which pushes up reported costs being offset by the closure of the UK sales force and restructuring of the Italian sales force to save costs.

Further significant cost savings are anticipated following the recent restructuring under the new management team. Savings in excess of £1.5m on an annualised basis have been achieved through reduction in management positions and reduction in corporate costs, enabling us to invest in more productive areas of the business, principally in international operations.

Operating loss, pre exceptional items, is £3.9m, compared with the operating profit of £0.9m reported for 2008. Excluding the one-off licence income for BMG and Graceway, 2008's operating loss pre exceptional items was £4.2m.

Exceptional items

Net exceptional charges of £9.8m have been recorded for the period as follows:

- Impairment charges of £7.9m have been made against certain acquired product rights and technologies acquired through product swaps. The value of the dermacosmetic portfolio acquired from Syrio in 2007 has been re-assessed following the disappointing sales performance experienced in recent months. Also a strategic review of the R&D strategy following the corporate restructuring has deprioritised the Zinc and silver nanotechnology and other assets acquired through predominantly non-cash asset swap deals as the focus of the R&D function is moved to Delmopinol and other areas. These are non-cash charges that will not impact our future cash flows.
- Restructuring charges of £2.6m have been expensed in respect of the severance packages paid to former Directors, senior management and other employees who have left Sinclair following the appointment of the new management team. The charge also includes a £0.5m non-cash charge for share based payments that vested as a result of the restructuring.
- Foreign exchange gains of £1.0m (2008: £4.4m) on the translation of the intra-group loan balance with France, as a result of Sterling's continued weakening against the Euro. This is a non cash item.

Finance costs of £0.8m were reduced from £1.0m in 2008 due to a £0.4m lower foreign exchange loss on financing. The current year cost includes interest on the convertible loan notes issued in September and the new debt facility secured in October 2009.

A deferred tax asset of £1.2m arises in relation to impairment charges and losses recorded in certain territories during the period which results in a credit to the income statement under taxation. We anticipate that part of this deferred tax asset will be utilised in the second half.

Cash and net debt

Following the completion of the placing and open offer and acquisition of products from Solvay, the Group had cash of £8.3m at 31 December 2009, compared with £0.1m at 30 June 2009. Borrowings increased to £20.6m at 31 December 2009, including the £12.0m new debt facility announced in October and the convertible loan notes of £2.3m issued in September. Net debt at 31 December 2009 was £12.3m, compared to £8.2m at 30 June 2009.

Principal risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected results. The principal risks remain those set out on page 21 of the Group's Annual Report for 2009, a copy of which is available on the Group's website www.sinclairpharma.com.

CSO Report

As 'Commercial' CSO, Simon Youlton's responsibilities include streamlining the R&D efforts that were stretched too thinly across the organisation in different Sinclair regional operations and to focus more resource on the key IP assets where there is clear commercial opportunity.

A priority is to advance the patented delmopinol molecule which, although already launched in several territories as the Decapinol® brand, has many new applications where biofilms play an important part. Decapinol® (granted medical device market authorisation in US and Europe) was a first in class product designed for healthy plaque management without the need for aggressive antiseptics. We believe these attributes can be extended to the cosmetic and restorative orthodontics market which is both growing through the rise in single crown replacement operations and suffering from a rise in implant-related complications due to infections, termed peri-implantitis. The objective of new studies will be to use our comprehensive formulation knowledge and existing clinical data to obtain new market authorisations for use in such surgery and to coat the dental implant materials (abutments) at source as a protective layer that will combat that initial infection danger period when the implants are exposed to the oral microflora during initial implantation surgery.

The other main aspect of the new CSO role is to assess and deliver product and technology opportunities through in-licensing. The strategy required for this will be to become more of a traditional Rx company, building on the Company's established springboard in dermatology, woundcare and oral health. Target products and companies could include further penetration of the palliative cancer and diabetic after-care market, infectious diseases and pain management.

Systems are also being put in place for knowledge management across the organisation and for more effective and efficient scientific support to be made available for existing Sinclair product lines.

Management Changes

The first half was noteworthy for the departure of several senior managers. CEO Michael Flynn retired and was replaced by Chris Spooner, and CFO Jerry Randall left to pursue new opportunities. We

wish them well in their new lives, as we do Marco Mastrodonato (Head of Sinclair Pharma Srl) and Paul Phull (Head of international Operations).

Unaudited Consolidated Income Statement
For the six months ended 31 December 2009

	Notes	**Unaudited Six months ended 31 December 2009**			Unaudited Six months ended 31 December 2008		
		Pre-exceptional items	**Exceptional items (note 5)**	**Total**	Pre-exceptional items	Exceptional items (note 5)	Total
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	4	**11,017**	**-**	**11,017**	16,245	-	16,245
Cost of sales		**(4,273)**	**-**	**(4,273)**	(4,413)	-	(4,413)
Gross profit		**6,744**		**6,744**	11,832	-	11,832
Selling, marketing and distribution costs		**(5,058)**	**-**	**(5,058)**	(5,075)	-	(5,075)
Administrative expenses		**(5,629)**	**(9,805)**	**(15,434)**	(5,886)	3,179	(2,707)
Operating (loss)/profit		**(3,943)**	**(9,805)**	**(13,748)**	871	3,179	4,050
Finance income	6	**9**	**-**	**9**	79	-	79
Finance costs	6	**(751)**	**-**	**(751)**	(960)	-	(960)
(Loss)/ profit before taxation		**(4,685)**	**(9,805)**	**(14,490)**	(10)	3,179	3,169
Taxation		**1,162**	**-**	**1,162**	395	-	395
(Loss)/ profit for the period		**(3,523)**	**(9,805)**	**(13,328)**	385	3,179	3,564
(Loss)/earnings per share (basic)	7	**(3.4)p**	**(9.5)p**	**(12.9)p**	0.4p	3.6p	4.0p
(Loss)/earnings per share (diluted)	7	**(3.4)p**	**(9.5)p**	**(12.9)p**	0.4p	3.4p	3.8p

Unaudited Statement of Comprehensive Income
For the six months ended 31 December 2009

	Notes	**Unaudited Six months ended 31 December 2009**			Unaudited Six months ended 31 December 2008		
		Pre-exceptional items	**Exceptional items (note 5)**	**Total**	Pre-exceptional items	Exceptional items (note 5)	Total
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
(Loss)/ profit for the period		**(3,523)**	**(9,805)**	**(13,328)**	385	3,179	3,564
Other comprehensive income							
Currency translation differences		**1,078**	**-**	**1,078**	5,648	-	5,648
Total comprehensive income for the period		**(2,445)**	**(9,805)**	**(12,250)**	6,033	3,179	9,212

The notes on pages 14 to 20 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Balance Sheet
As at 31 December 2009

	Notes	**31 December 2009 £'000**	31 December 2008 £'000	30 June 2009 £'000
Non-current assets				
Goodwill	8	**52,632**	55,394	51,062
Intangible assets	9	**28,069**	22,729	19,708
Property, plant and equipment		**1,342**	2,052	1,643
Investments		**165**	-	165
Deferred tax assets		**2,470**	1,000	1,304
Other non-current assets		**97**	374	89
		84,775	81,549	73,971
Current assets				
Inventories		**4,467**	4,266	3,807
Trade and other receivables	10	**7,944**	13,218	9,764
Current tax receivables		**40**	57	48
Cash and cash equivalents		**8,346**	2,400	88
		20,797	19,941	13,707
Total assets		**105,572**	101,490	87,678
Current liabilities				
Financial liabilities - borrowings	12	**(6,748)**	(4,009)	(3,733)
Trade and other payables	11	**(10,126)**	(13,730)	(9,865)
Deferred income		**(158)**	(440)	(713)
Current tax liabilities		**-**	(131)	(163)
Provisions		**(467)**	-	(382)
		(17,499)	(18,310)	(14,856)
Non-current liabilities				
Financial liabilities - borrowings	12	**(13,891)**	(5,187)	(4,602)
Deferred income		**(222)**	(357)	(280)
Other non-current liabilities		**(273)**	-	(239)
Provisions		**(796)**	-	(343)
		(15,182)	(5,544)	(5,464)
Total liabilities		**(32,681)**	(23,854)	(20,320)
Net assets		**72,891**	77,636	67,358
Equity				
Share capital		**1,611**	1,033	1,033
Share premium account		**39,530**	23,131	23,131
Merger reserve		**50,474**	50,474	50,474
Other reserves		**7,606**	9,847	6,528
Retained deficit		**(26,330)**	(6,849)	(13,808)
Total equity		**72,891**	77,636	67,358

The notes on pages 14 to 20 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Statement of Changes in Shareholders' Equity
For the six months ended 31 December 2009

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other Reserves £'000	Retained deficit £'000	Attributable to equity holders of the parent £'000	Minority interest £'000	Total equity £'000
Balance at 1 July 2008	**935**	**21,472**	**50,474**	**4,198**	**(10,760)**	**66,319**	**12**	**66,331**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	5,648	-	5,648	-	5,648
Profit for the period	-	-	-	-	3,564	3,564	-	3,564
Total recognised income for the period	-	-	-	5,648	3,564	9,212	-	9,212
Share based payments	-	-	-	-	347	347	-	347
Issue of share capital	98	1,722	-	-	-	1,820	-	1,820
Share issue expenses	-	(63)	-	-	-	(63)	-	(63)
Purchase of minority interest	-	-	-	-	-	-	(12)	(12)
Balance at 31 December 2008 (unaudited)	**1,033**	**23,131**	**50,474**	**9,846**	**(6,849)**	**77,635**	**-**	**77,635**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(3,318)	-	(3,318)	-	(3,318)
Loss for the period	-	-	-		(7,185)	(7,185)	-	(7,185)
Total recognised income/(expense) for the period	-	-	-	(3,318)	(7,185)	(10,503)	-	(10,503)
Share based payments	-	-	-	-	226	226	-	226
Balance at 30 June 2009 (audited)	**1,033**	**23,131**	**50,474**	**6,528**	**(13,808)**	**67,358**	**-**	**67,358**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	1,078	-	1,078	-	1,078
Loss for the period	-	-	-	-	(13,328)	(13,328)	-	(13,328)
Total recognised income for the period	-	-	-	1,078	(13,328)	(12,250)	-	(12,250)
Share based payments	-	-	-	-	806	806	-	806
Issue of share capital	578	17,900	-	-		18,478	-	18,478
Share issue expenses	-	(1,501)	-	-		(1,501)	-	(1,501)
Balance at 31 December 2009 (unaudited)	**1,611**	**39,530**	**50,474**	**7,606**	**(26,330)**	**72,891**	**-**	**72,891**

The notes on pages 14 to 20 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Statement of Cash Flows
For the six months ended 31 December 2009

	Notes	**Six months ended 31 December 2009 £'000**	Six months ended 31 December 2008 £'000
[illegible]	13	**(3,006)**	14
Interest paid		**(609)**	(413)
Interest paid on finance leases		**(18)**	(33)
Taxation (paid)/recovered		**(108)**	1,978
Net cash generated (used in)/from operating activities		**(3,741)**	1,546
Interest received		**-**	382
Purchases of property, plant and equipment		**(43)**	(464)
Purchase of intangible assets		**(17,179)**	(1,824)
Payment of contingent consideration regarding Groupe CS Dermatologie		**-**	(237)

Purchase of minority interest	**-**	(317)
Net cash used in investing activities	**(17,222)**	(2,460)
Repayments of obligations under finance leases	**(34)**	(108)
Proceeds from borrowings	**15,440**	1,284
Repayments of borrowings	**(3,197)**	(811)
Proceeds from issue of share capital	**18,478**	1,383
Share issue costs	**(1,257)**	(63)
Net cash generated from financing activities	**29,430**	1,685
Net increase in cash, cash equivalents and bank overdrafts	**8,467**	771
Cash, cash equivalents and bank overdrafts at 1 July	**(1,597)**	(354)
Exchange (losses)/gains on cash and bank overdrafts	**(54)**	42
Cash, cash equivalents and bank overdrafts at end of period	**6,816**	459
Cash, cash equivalents and bank overdrafts includes:		
Cash and cash equivalents	**8,346**	2,400
Bank overdrafts	**(1,530)**	(1,941)
Cash, cash equivalents and bank overdrafts	**6,816**	459

The notes on pages 14 to 20 form an integral part of this condensed consolidated half-yearly financial information.

Notes to the unaudited condensed consolidated half-yearly financial information

1. General Information

The Company is a public limited company, incorporated and domiciled in the United Kingdom. The address of the registered office is: Unit 4, Godalming Business Centre, Woolsack Way, Godalming, Surrey GU7 1XW. The Company has its primary listing on the London Stock Exchange and a secondary listing on Euronext, Paris.

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2009 were approved by the board of directors on 30 October 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, and did not contain any statement under Section 498 of the Companies Act 2006.

This condensed consolidated half-yearly financial information was approved for issue on 24 February 2010.

2. Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 31 December 2009 has been prepared in accordance with the Disclosures and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2009, as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year ending 30 June 2010 and have been applied by the Group.

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner' changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27 'Consolidated and separate financial statements', IAS28, 'Investments in associates' and IAS 31 'Investments in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting date beginning on or after 1 July 2009.

The revised standard applies to the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, the contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. All acquisition- related costs should be expensed.

The following new standards, amendments to standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the Group's operations:

IFRIC 17, 'Distributions of non-cash assets to owners'.
IFRIC 18, 'Transfer of assets from customers', effective for transfers of assets received on or after 1 July 2009.

4. Segment information

The chief operating decision maker has been identified as the executive management team. This team reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive management team considers the business as being organised into two distinct operating segments; International operations and Country operations. Research and development, technology licensing income and costs, intellectual property and corporate costs are included under the 'other' heading.

The executive management team assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA).

	Six months ended 31 December 2009				Six months ended 31 December 2008			
Business Segments	**International operations**	**Country operations**	**Other**	**Total**	International operations	Country operations	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Revenue	**3,712**	**7,305**	**-**	**11,017**	6,083	6,829	3,333	16,245
Cost of goods sold	(1,288)	(2,985)	-	(4,273)	(2,183)	(2,230)	-	(4,413)
Gross profit	**2,424**	**4,320**	**-**	**6,744**	3,900	4,599	3,333	11,832
EBITDA pre exceptional items	**1,402**	**(1,526)**	**(2,251)**	**(2,375)**	2,790	(786)	215	2,219
Total segment assets	**15,234**	**66,338**	**24,000**	**105,572**	22,736	78,754	-	101,490

During the period there were £134,000 (2008: £344,000) of sales at arms length between segments. The revenue analysis above is stated net of inter-company sales.

A reconciliation of total adjusted EBITDA to total profit before income tax is provided as follows:

	Six months ended 31 December 2009 £'000	Six months ended 31 December 2008 £'000
EBITDA for reportable segments	**(2,375)**	2,219
Depreciation	**(189)**	(254)
Amortisation	**(1,379)**	(1,094)
Exceptional items	**(9,805)**	3,179
Operating (loss)/profit before tax	**(13,748)**	4,050

Revenue analysis

An analysis of revenue by category is set out in the table below:

	Six months ended 31 December 2009 £'000	Six months ended 31 December 2008 £'000
Product revenue	**9,910**	9,873
Royalties	**371**	560
Licence fees and milestones	**736**	5,812
	11,017	16,245

5. Exceptional Items

Exceptional items represent significant items of income and expense which due to their nature, size 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 period, so as to facilitate comparison with prior periods and to better asses trends in financial performance.

	Six months ended 31 December 2009 £'000	Six months ended 31 December 2008 £'000
Impairment charges	**(7,938)**	-
Foreign exchange gains	**984**	4,413
Restructuring costs	**(2,635)**	(744)
Inventory provision	**(216)**	-
Aborted acquisition costs	**-**	(490)
	(9,805)	3,179

Impairment charges of £7,938,000 have been made against certain product and technology rights. Disappointing sales of the dermacosmetic products acquired from Syrio in 2008 and a re-assessment of the market potential of the technologies acquired though certain non-cash asset swap arrangements together with a review of the

Group's R&D strategy has led to the decision not to continue development of the underlying products, in particular the zinc and silver nanotechnology. This is a non-cash charge.

Foreign exchange gains of £984,000 (2008: £4,413,000) represents the gain on the translation of an intra-group loan balance. This is a non cash item.

Restructuring costs of £2,635,000 (2008: £744,000) include severance packages paid to former directors, senior management and other employees as part of the restructuring. Costs include £503,000 in respect of share based payments that vested on the restructuring.

The inventory provision of £216,000 relates to goods owned by the Group but which have been impounded by customs authorities. This is a non-cash accounting charge.

Prior year aborted acquisition related costs were incurred in relation to a strategic acquisition opportunity during the summer of 2008. These discussions were put on hold as a result of the market volatility in the autumn of 2008. Costs of £490,000 were incurred to that point.

6. Finance income and costs

	Six months ended 31 December 2009 £'000	Six months ended 31 December 2008 £'000
Finance costs		
Interest on bank loans and overdrafts	**(230)**	(319)
Interest on other borrowings	**(140)**	-
Interest due on finance leases	**(17)**	(33)
Net foreign exchange losses on financing activities	**(100)**	(492)
Share based payments – warrants linked to new debt facility	**(140)**	-
Other finance charges	**(124)**	(116)
Finance costs	**(751)**	(960)
Finance income		
Bank interest receivable	**-**	1
Other interest income	**9**	78
Finance income	**9**	79
Net finance expense	**(742)**	(881)

7. (Loss)/earnings per share

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

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 basic (loss)/earnings per share.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares of the Company are share options, warrants and awards. A calculation has been undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the company's shares) based on the monetary value of the subscription rights attached to outstanding options, warrants and awards.

	Six months	Six months

	Ended	ended
	31 December 2009	31 December 2008
Basic and diluted EPS		
(Loss)/profit attributable to equity shareholders (£000)	**(13,328)**	3,564
Weighted average number of shares	**103,494,274**	88,978,838
Adjustment for share options, warrants and awards	**-**	3,915,407
Diluted weighted average number of shares	**103,494,274**	92,894,245
Basic (loss)/earnings per share	**(12.9)p**	4.0p
Diluted (loss)/earnings per share	**(12.9)p**	3.8p

8. Goodwill

	31 December 2009 £'000	31 December 2008 £'000	30 June 2009 £'000
Cost			
At 1 July	**53,941**	50,989	50,989
Additions through business combinations	**-**	381	355
Exchange adjustments	**1,570**	6,903	2,597
At period end	**55,511**	58,273	53,941
Accumulated amortisation and impairment			
At 1 July and period end	**2,879**	2,879	2,879
Net book value at period end	**52,632**	55,394	51,062

9. Intangible Assets

	31 December 2009 £'000	31 December 2008 £'000	30 June 2009 £'000
Cost			
At 1 July	**25,793**	17,779	17,779
Additions	**16,856**	5,704	6,743
Disposals	**(25)**	-	(108)
Exchange adjustments	**823**	3,666	1,379
At period end	**43,447**	27,149	25,793
Amortisation and impairment			
At 1 July	**6,085**	2,968	2,968
Charge for the period/year	**1,379**	1,094	2,084
Disposals	**(25)**	-	(6)
Impairment charge (note 5)	**7,736**	-	898
Exchange adjustments	**203**	358	141
At period end	**15,378**	4,420	6,085
Net book value at period end	**28,069**	22,729	19,708

Additions in the current period relate to the acquisition of Flammazine and Flammacerium from Solvay Pharmaceuticals for €17.5million plus expenses (£16,816,000), completed in December 2009.

10. Trade and other receivables

	31 December 2009 £'000	31 December 2008 £'000	30 June 2009 £'000
Trade receivables	**7,071**	10,596	8,911
Less provision for impairment of trade receivables	**(1,391)**	(178)	(1,389)
Trade receivables-net	**5,680**	10,418	7,522
Other receivables	**1,353**	2,195	1,243
Prepayments and accrued income	**911**	605	999
	7,944	13,218	9,764

11. Trade and other payables

	31 December 2009 £'000	31 December 2008 £'000	30 June 2009 £'000
Trade payables	**4,851**	7,073	5,471
Other tax and social security	**712**	894	788
Other payables	**1,415**	1,556	1,029
Accruals	**3,148**	4,207	2,577
	10,126	13,730	9,865

12. Borrowings

	31 December 2009 £'000	31 December 2008 £'000	30 June 2009 £'000
Non-current			
Bank loans	**3,392**	5,097	4,050
Other borrowings	**10,452**	-	492
Finance lease liabilities	**47**	90	60
	13,891	5,187	4,602
Current			
Bank overdrafts	**1,530**	1,941	1,685
Bank loans	**1,294**	1,555	1,629
Convertible loan notes	**2,300**	-	-
Other borrowings	**1,574**	349	353
Finance lease liabilities	**50**	164	66
	6,748	4,009	3,733
Total borrowings	**20,639**	9,196	8,335
Borrowings included above are repayable as follows:			
On demand or within one year	**6,748**	4,009	3,733
Over one and under two years	**4,116**	2,801	2,291
Over two and under five years	**9,775**	2,386	2,311
Total borrowings	**20,639**	9,196	8,335

The £12.0m new debt facility secured during the period is classified under other borrowings. This is secured on the Group's assets and is repayable over five years in monthly instalments. Part of the facility was used to refinance an existing bank loan in the UK. Interest is charged at 5.5% and 6.5% over LIBOR on different tranches of the facility. On £7.0m of the facility, no repayments are due within the first year from drawdown. Expenses of £403,000 have been offset against the gross liability and are being amortised through finance costs over the life of the facility.

The one year unsecured convertible loan notes were issued in September 2009 and bear interest at 8%. The loan notes can be converted into ordinary 1p shares in the Company at a price of 27.5p per share, at the option of the holder on 31 March 2010, 30 June 2010 and 3 September 2010, the redemption date. There is no fair value attached to the equity element.

During the period an additional €1.5m loan was obtained from one of the Group's French banks and other borrowings of £0.6m from certain Directors and Mr C Spooner were converted into equity as described in note 14.

13. Cash flow from operating activities

	Six months ended 31 December 2009	Six months ended 31 December 2008
	£'000	£'000
(Loss)/profit before tax	**(14,490)**	3,169
Adjustments for:		
Finance income	**(9)**	(79)
Finance costs	**751**	960
Share based payments	**666**	347
Depreciation	**189**	254
Amortisation of intangible assets	**1,379**	1,094
Non-cash purchase of intangible assets	**-**	(4,381)
Impairment charge	**7,938**	-
(Decrease)/increase in provision for doubtful debts	**(26)**	65
Increase in provisions	**924**	-
Exchange gains	**(1,112)**	(6,014)
	(3,790)	(4,585)
Changes in working capital (excluding effects of acquisitions)		
Increase in inventories	**(503)**	(259)
Decrease in receivables	**2,135**	4,041
(Decrease)/increase in payables	**(233)**	943
Decrease in deferred income	**(615)**	(126)
Net cash (outflow)/inflow from operations	**(3,006)**	14

14. Related party transactions

On 10 December 2009, the following Directors and related parties subscribed for shares under the Placing and Open Offer at 32p per share:

Mr G Cook subscribed for 100,000 shares.

Mr JAP Randall subscribed for 704,614 shares which included full settlement of the £36,000 loan and accrued interest that was owed to him.

Mr J-C Tschudin subscribed for 189,997 shares in full settlement of the €62,500 loan and accrued interest that was owed to him.

Mr C Spooner subscribed for 2,568,140 shares which included full settlement of the £500,000 loan and accrued interest, and £300,000 fees payable under a consultancy agreement.

Mr C Spooner also received a fee of £192,000, paid in cash, arising under his consultancy agreement, on completion of the Placing and Open Offer.

At 31 December 2009, £200,000 remains outstanding to Mrs S Flynn, wife of Dr MJ Flynn a former Director of the Company.

Statement of directors' responsibilities
The directors' confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Sinclair Pharma Plc in the period were:

Mr G Cook	Non-Executive Chairman
Dr MJ Flynn (resigned 22 December 2009)	
Mr JAP Randall (resigned 10 December 2009)	
Ms PA Freer	Senior Independent Director
Mr J-C Tschudin	Non-Executive Director
Mr C Spooner (appointed 22 December 2009)	Chief Executive Officer
Mr C Foucher (appointed 22 December 2009)	Chief Operating Officer

A list of current Directors in maintained on the Company's website www.sinclairpharma.com.

By order of the Board
C Spooner
Chief Executive Officer

G Cook
Chairman

24 February 2010

Independent review report to Sinclair Pharma Plc

Introduction
We have been engaged by the company to review the consolidated financial information in the half-yearly financial report for the six months ended 31 December 2009, which comprises the unaudited consolidated income statement, unaudited consolidated statement of comprehensive income, unaudited consolidated statement of changes in shareholders' equity, unaudited consolidated balance sheet, unaudited consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

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

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Cambridge
25 February 2010

Notes:

(a) The maintenance and integrity of the Sinclair Pharma Plc website 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 financial statements since they were initially presented on the website.

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