Sinclair Pharma plc

Interim results for the six months ended 31 December 2010

Sinclair Pharma plc (SPH.L), ("Sinclair" or the "Company") the international specialty pharma company, today announces its half year results for the six months ended 31 December 2010.

Financial Highlights

- **Revenues increased 28% to £14.1million, 37% increase at constant currency** (H1 10: £11.0m)
- **Like-for-like revenues increased by 9%**
- **Gross profit increased 16% to £7.8million** (H1 10: £6.7m)
- **EBITDA loss reduced to £1.3million pre-exceptional items** (H1 10: loss of £2.4m)
- **Operating loss reduced to £2.6million** (H1 10: loss of £13.7m)
- **Net debt of £2.4million at 31 December 2010** (30 June 10: £15.2m)

Business Highlights

- Invida deal signed for distribution of Sinclair products throughout Asia
- Decapinol® licensed to Sunstar in US
- Placing and Open Offer raised £19.0million at an 8% premium to the share price at the time
- Bracken facility fully repaid
- Acquisition of Kelo-Cote® product rights for Germany, UK (via acquisition of Cranage Healthcare), France, Spain and Italy
- Atopiclair® received re-imbursement status in France

Post period Highlights

- In advanced discussions with IS Pharma plc regarding a possible merger

Chris Spooner, CEO of Sinclair, commented:

"In-line with our guidance, Sinclair has increased marketing and product development investment. Despite this and the bias of earnings towards H2, the results show a clear improvement in operational performance driven by 9% underlying revenue growth and overhead cost control. The return to growth of our French operations is of particular note, driven by Atopiclair which continues to perform strongly. Group revenues will now be augmented by the launch of Kelo-cote and

Monodose products in the major European markets. Our emerging market partnership strategy remains very much on-track with first Asian launches expected mid-year.

Following last year's comprehensive restructuring, I believe Sinclair now has a platform for sustainable and profitable growth, coincident with renewed equity interest in the 'specialty pharma' business model. We have stated frequently our intention to leverage the infrastructure base while achieving critical mass in the five leading European markets. The recent announcement regarding a possible merger with IS Pharma demonstrates the Board's intention to improve critical mass and create substantial shareholder value".

Ends

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

Financial Dynamics Tel: +44 (0)20 7831 3113
Ben Atwell
Stephanie Cuthbert

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 an extensive marketing partner network across selected developed and emerging markets.

"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.

Overview

In the first half we made good progress towards becoming a leading international specialty pharma company. We continue to deliver on our strategy and there have been some significant developments during the first six months.

In October we successfully raised £19 million via a placing and open offer at an 8% premium to the share price. The funds enabled us to pay down the Bracken debt facility and invest in a number of exciting opportunities in our revised development pipeline.

Operationally, we achieved our objective of gaining re-imbursement approval for Atopiclair® in France in September and, following this, Sinclair France embarked on an intensive marketing campaign, promoting the product to dermatologists and pharmacists. This, combined with the expansion of the pharmacy sales teams and the investment in new marketing materials, returned Sinclair France to underlying sales growth in the last quarter.

In December we announced a major new partnership agreement with Invida Private Holdings Limited for Sinclair's dermatology products in the Asia Pacific region. This landmark deal is the blueprint for Sinclair partnerships in other regions and validates our strategy of launching our portfolio into emerging markets. The relationship with Invida is strong and making good progress and we anticipate initial product launches in the region in mid-2011. In December, we also announced that we had licensed Decapinol® to Sunstar Americas Inc. for the US market. Sunstar is one of the world's leading oral healthcare companies and is Sinclair's existing partner for Aloclair in the US. Decapinol® will be launched under Sunstar's GUM® brand in pharmacies and other retailers across the US in Q3 2011.

In September, Sinclair completed a licensing deal for Kelo-cote® in France, Spain and Italy, which was followed by the acquisition of the Kelo-Cote® distribution in UK and Germany in December. Kelo-cote® is a patented topical silicone range of gel and spray treatments for the management and prevention of scars. The acquisition of this product expands Sinclair's wound care franchise and direct sales presence in the key European markets. After extensive market research during H1, Kelo-Cote® Gel was launched in France, Italy and Spain in February 2011, with a focus on hospitals and burns centres. Kelo-Cote® is already marketed in Germany and in the UK with annual revenues currently in excess of €500,000 and £450,000, respectively. The acquisition of the Kelo-Cote® rights reinforces our wound care franchise and ensures the UK and Germany reach critical mass. A UV Gel line extension will be launched in the last quarter of the financial year.

Following the fund raise we were able to exercise our options on the global rights for the Terbinafine spray technology, a generic anti-fungal for the treatment of Athlete's Foot, and signed the global license agreement with Medpharm in November. Studies have shown that Terbinafine is the most effective treatment of Athlete's Foot which affects 70% of the population at some point and we expect this to be a leading product for Sinclair's country operations in France, Germany, Italy and Spain, and an appealing product for partners.

Operations review

Like-for-like revenues increased by 9% over the first half thanks to the return to growth in France and a good performance from our other international operations.

The reinforcement of direct sales to pharmacies in France resulted in 15% growth of direct pharmacy sales compared with last year. Sinclair France ended the first half with 5% like-for-like growth in Q2 compared to FY10 Q2.

We saw a very strong performance from our international operations. Both the MEPIA (Middle East, Pakistan, India, Africa) and ERTI (Europe, Russia, Turkey, Israel) regions exceeded their targets. MEPIA had particularly good sales and positive trends in Algeria and Morocco. In ERTI Belgium sales were strong following a deal with Qualiphar, an OTC-specialist, who took over the promotion and distribution of Flammazine in November.

The acquisition of Flammazine and Flammacerium in 2010 was the cornerstone for Sinclair to build its wound care franchise. In the first half of FY11, Sinclair's wound care revenue grew by 22% on a like-for-like basis and exceeded budget expectations. Oxyplastine contributed significantly to this growth prior to the launch of its monodose line extension.

Sinclair is currently investigating opportunities to expand Flammazine and Flammacerium into new territories, as well as to broaden indications. The first line extension, Flammaspray will initially be launched in Sinclair's country operations in Q3 2011.

Sinclair's manufacturing team in France has produced the first Dosaderm™ (monodose) tubes for the key brands (Papulex, Oxyplastine, Effadiane), which will be launched by Sinclair's French and Italian operations in early 2011 making Sinclair a pioneer of monodose solutions in dermatology.

Financial Review

Revenue for the first half was 28% higher than the prior year at £14.1 million. The main contributor to product sales was Flammazine and Flammacerium, which achieved revenue of £3.8 million (2009: £0.2m). Underlying like for like revenue (excluding product acquisitions and disposals, licence fees and currency fluctuations) increased by 9% in the period as a result of an improved performance in France, aided by September's re-imbursement approval of Atopiclair, and a good performance in international operations.

Gross profit increased by 16% in the first half against the same period last year. The overall margin of 55.8% is lower than the 61.2% reported for 2009 due to the reduction in licensing income and increase in Flammazine revenues which are lower margin. The underlying gross margin excluding licence fees and Flammazine sales increased to 62.6% compared to 60.6% in 2009.

Operating expenses, pre-exceptional items, of £10.9 million increased by 2% compared with 2009. The increased sales and marketing costs linked to Flammazine and increased development costs associated with our new pipeline projects offsetting the savings achieved by the cost cutting measures put in place a year ago.

Operating loss of £3.0 million, pre-exceptional items, was reduced by £1.0 million. At the EBITDA level, pre-exceptional items, losses were £1.3 million (2009: £2.4m).

A credit to exceptional items of £0.4 million arises on the settlement of severance agreements with former Directors which were finalised in December. All disputes relating to the restructuring have now been settled.

Finance costs increased to £1.4 million in the period, including the exceptional one-off costs arising on the early settlement of the Bracken facility in October of £0.9 million.

A tax credit of £0.4 million occurred in the period as a result of the increase in deferred tax assets attributed to losses in the period.

The Group had cash of £3.6 million at 31 December 2010, improved from the £2.1 million at 30 June. Borrowings of £5.9 million at 31 December 2010 were reduced from £17.3 million at 30 June as a result of the repayment of the Bracken facility on completion of the fund raising. In September the 8% convertible unsecured loan notes of £2.3 million were re-issued with an expiry date of 31 March 2012 and remain within the overall borrowings. Net debt was £2.4 million at 31 December 2010, compared with £15.2 million at 30 June.

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 11 of the Group's Annual Report for 2010, a copy of which is available on the Group's website www.sinclairpharma.com.

Unaudited Consolidated Income Statement
For the six months ended 31 December 2010

	Notes	**Unaudited Six months ended 31 December 2010** Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000	Unaudited Six months ended 31 December 2009 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000
Revenue	4	**14,051**	**-**	**14,051**	11,017	-	11,017
Cost of sales		**(6,206)**	**-**	**(6,206)**	(4,273)	-	(4,273)
Gross profit		**7,845**	**-**	**7,845**	6,744	-	6,744
Selling, marketing and distribution costs		**(5,349)**	**-**	**(5,349)**	(5,058)	-	(5,058)
Administrative expenses		**(5,507)**	**429**	**(5,078)**	(5,629)	(9,805)	(15,434)
Operating (loss)/profit		**(3,011)**	**429**	**(2,582)**	(3,943)	(9,805)	(13,748)
Finance income	6	**2**	**-**	**2**	9	-	9
Finance costs	6	**(514)**	**(924)**	**(1,438)**	(751)	-	(751)
Loss before taxation		**(3,523)**	**(495)**	**(4,018)**	(4,685)	(9,805)	(14,490)
Taxation		**402**	**-**	**402**	1,162	-	1,162
Loss for the period		**(3,121)**	**(495)**	**(3,616)**	(3,523)	(9,805)	(13,328)
Loss per share (basic and diluted)	7	**(1.6)p**	**(0.3)p**	**(1.9)p**	(3.4)p	(9.5)p	(12.9)p

Unaudited Statement of Comprehensive Income
For the six months ended 31 December 2010

	Unaudited Six months ended 31 December 2010 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000	Unaudited Six months ended 31 December 2009 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000
Loss for the period	**(3,121)**	**(495)**	**(3,616)**	(3,523)	(9,805)	(13,328)
Other comprehensive income						
Currency translation differences	**2,238**	**-**	**2,238**	1,078	-	1,078
Total comprehensive income for the period	**(883)**	**(495)**	**(1,378)**	(2,445)	(9,805)	(12,250)

The notes on pages 10 to 17 form an integral part of this condensed consolidated half-yearly financial information.

SINCLAIR

Unaudited Consolidated Balance Sheet
As at 31 December 2010

	Notes	**31 December 2010 £'000**	31 December 2009 £'000	30 June 2010 £'000
Non-current assets				
Goodwill	8	**51,370**	52,632	49,645
Intangible assets	9	**26,506**	28,069	25,144
Property, plant and equipment		**1,702**	1,342	1,317
Investments		**-**	165	-
Deferred tax assets		**2,499**	2,470	2,004
Other non-current assets		**209**	97	209
Assets held for sale		**-**	-	426
		82,286	84,775	78,745
Current assets				
Inventories		**5,861**	4,467	4,775
Trade and other receivables	10	**10,189**	7,944	9,986
Current tax receivables		**72**	40	24
Cash and cash equivalents		**3,582**	8,346	2,071
		19,704	20,797	16,856
Total assets		**101,990**	105,572	95,601
Current liabilities				
Financial liabilities - borrowings	12	**(1,304)**	(6,748)	(14,722)
Trade and other payables	11	**(11,974)**	(10,126)	(10,575)
Deferred income		**(144)**	(158)	(405)
Current tax liabilities		**-**	-	(7)
Provisions		**(105)**	(467)	(572)
		(13,527)	(17,499)	(26,281)
Non-current liabilities				
Financial liabilities - borrowings	12	**(4,643)**	(13,891)	(2,553)
Deferred income		**(150)**	(222)	(29)
Other non-current liabilities		**(530)**	(273)	(265)
Provisions		**(270)**	(796)	(98)
		(5,593)	(15,182)	(2,945)
Total liabilities		**(19,120)**	(32,681)	(29,226)
Net assets		**82,870**	72,891	66,375
Equity				
Share capital		**2,319**	1,611	1,622
Share premium account		**56,575**	39,530	39,500
Merger reserve		**50,474**	50,474	50,474
Other reserves		**7,192**	7,606	4,954
Retained deficit		**(33,690)**	(26,330)	(30,175)
Total equity		**82,870**	72,891	66,375

The notes on pages 10 to 17 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 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other Reserves £'000	Retained deficit £'000	Total equity £'000
Balance at 30 June 2009 (audited)	**1,033**	**23,131**	**50,474**	**6,528**	**(13,808)**	**67,358**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	1,078	-	1,078
Loss for the period	-	-	-	-	(13,328)	(13,328)
Total recognised income/(expense) for the period	-	-	-	1,078	(13,328)	(12,250)
Share based payments	-	-	-	-	806	806
Issue of share capital	578	17,900	-	-	-	18,478
Share issue expenses	-	(1,501)	-	-	-	(1,501)
Balance at 31 December 2009 (unaudited)	1,611	39,530	50,474	7,606	(26,330)	72,891
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(1,990)	-	(1,990)
Loss for the period	-	-	-	-	(4,300)	(4,300)
Total recognised expense for the period	-	-	-	(1,990)	(4,300)	(6,290)
Share based payments	-	-	-	-	(257)	(257)
Options and warrants exercised	11	19	-	(662)	712	80
Share issue expenses	-	(49)	-	-	-	(49)
Balance at 30 June 2010 (audited)	**1,622**	**39,500**	**50,474**	**4,954**	**(30,175)**	**66,375**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	2,238	-	2,238
Loss for the period	-	-	-	-	(3,616)	(3,616)
Total recognised income/(expense) for the period	-	-	-	2,238	(3,616)	(1,378)
Share based payments	-	-	-	-	(294)	(294)
Options and warrants exercised	18	-	-	-	-	18
Issue of share capital	679	18,321	-	-	-	19,000
Repayment of ESOT Loan	-	-	-	-	395	395
Share issue expenses	-	(1,246)	-	-	-	(1,246)
Balance at 31 December 2010 (unaudited)	**2,319**	**56,575**	**50,474**	**7,192**	**(33,690)**	**82,870**

The notes on pages 10 to 17 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 2010

	Notes	**Six months ended 31 December 2010 £'000**	Six months ended 31 December 2009 £'000
Net cash outflow from operations	13	**(1,474)**	(3,006)
Interest paid		**(1,032)**	(609)
Interest paid on finance leases		**(2)**	(18)
Taxation paid		**-**	(108)
Net cash used in operating activities		**(2,508)**	(3,741)
Investing activities			
Interest received		**1**	-
Purchases of property, plant and equipment		**(522)**	(43)
Purchase of intangible assets		**(1,387)**	(17,179)
Purchase of subsidiary undertaking, net of cash acquired		**(367)**	-
Net cash used in investing activities		**(2,275)**	(17,222)
Financing activities			
Repayments of obligations under finance leases		**(8)**	(34)
Proceeds from borrowings		**1,127**	15,440
Repayments of borrowings		**(12,959)**	(3,197)
Proceeds from issue of share capital		**19,018**	18,478
Proceeds from repayment of loan to ESOT		**395**	-
Share issue expenses		**(1,246)**	(1,257)
Net cash from financing activities		**6,327**	29,430
Net increase in cash, cash equivalents and bank overdrafts		**1,544**	8,467
Cash, cash equivalents and bank overdrafts at 1 July		**1,850**	(1,597)
Exchange gains on cash and bank overdrafts		**30**	(54)
Cash, cash equivalents and bank overdrafts at end of period		**3,424**	6,816
Cash, cash equivalents and bank overdrafts includes:			
Cash and cash equivalents		**3,582**	8,346
Bank overdrafts		**(158)**	(1,530)
Cash, cash equivalents and bank overdrafts		**3,424**	6,816

The notes on pages 10 to 17 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 limited liability 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 2010 were approved by the board of directors on 14 October 2010 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 23 February 2011.

2. Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 31 December 2010 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 2010, 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 2010, 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 2011 and are not relevant to the Group, therefore there are no significant changes in Accounting Policy compared to the previous financial year.

- Annual improvements 2009 (effective 1 January 2010)
- Amendment to IFRS 2, 'Share based payments - Group cash-settled share-based payment transactions' (effective 1 January 2010)
- Amendments to IFRS 1 for additional exemptions (effective 1 January 2010)
- Amendments to IAS 32, Financial Instruments: Presentation on classification of rights issues. (effective 1 February 2010)
- Amendment to IFRS 1, First time adoption on financial instrument disclosures (effective 1 July 2010)
- IFRIC 15, 'Arrangements for construction of real estates' (effective from 1 January 2009, but EU endorsed for 1 January 2010)
- IFRIC 18, 'Transfer of assets from customers' (effective from 31 October 2009)
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010)

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 2010				Six months ended 31 December 2009			
Business Segments	**International operations £'000**	**Country operations £'000**	**Other £'000**	**Total £'000**	International operations £'000	Country operations £'000	Other £'000	Total £'000
Revenue	**5,003**	**8,983**	**65**	**14,051**	3,712	7,305	-	11,017
Cost of goods sold	(2,381)	(3,825)	-	(6,206)	(1,288)	(2,985)	-	(4,273)
Gross profit	**2,622**	**5,158**	**65**	**7,845**	2,424	4,320	-	6,744
Pre-Exceptional EBITDA	**757**	**6**	**(2,058)**	**(1,295)**	1,402	(1,526)	(2,251)	(2,375)
Total segment assets	**37,715**	**63,141**	**1,134**	**101,990**	15,234	66,338	24,000	105,572

During the period there were £1,815,000 (2009: £134,000) of sales at arm's length between segments. The revenue analysis above is stated net of inter-company sales.

A reconciliation of total adjusted EBITDA to operating loss is provided as follows:

	Six months ended 31 December 2010 £'000	Six months ended 31 December 2009 £'000
EBITDA for reportable segments	**(1,295)**	(2,375)
Depreciation	**(103)**	(189)
Amortisation	**(1,613)**	(1,379)
Exceptional items	**429**	(9,805)
Operating loss	**(2,582)**	(13,748)

Revenue analysis

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

	Six months ended 31 December 2010 £'000	Six months ended 31 December 2009 £'000
Product revenue	**13,423**	9,910
Royalties	**530**	371
Licence fees and milestones	**98**	736

14,051	11,017

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 2010 £'000	Six months ended 31 December 2009 £'000
Impairment charges	**-**	(7,938)
Foreign exchange gains	**-**	984
Restructuring costs	**429**	(2,635)
Inventory provision	**-**	(216)
Early settlement expenses on Bracken facility	**(924)**	-
	(495)	(9,805)

Restructuring credits of £429,000 primarily arise on the settlement of disputes with former directors' resulting in reduced costs and the release of legal provisions. The 2009 costs related to severance packages paid to former directors, senior managers and other employees as well as share based payments that vested on the restructuring.

Impairment charges of £7,938,000 were made against certain product and technology rights in 2009. Disappointing sales of the dermacosmetic products acquired from Syrio 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 led to the decision not to continue development of the underlying products. This was a non-cash charge.

Foreign exchange gains in 2009 of £984,000 represent the gain on the translation of an intra-group loan balance. This is a non cash item. Following a restructuring of this arrangement in June 2010, all future foreign exchange differences pass through reserves.

Inventory provision in 2009 of £216,000 relates to goods owed by the group but which were impounded by customs authorities.

The early settlement expenses on the Bracken facility include an early repayment fee of £555,000 and amortised expenses of £369,000 incurred to set up the initial facility.

6. Finance income and costs

	Six months ended 31 December 2010 £'000	Six months ended 31 December 2009 £'000
Interest on bank loans and overdrafts	**(104)**	(230)
Interest on other borrowings	**(332)**	(140)
Interest due on finance leases	**(2)**	(17)
Net foreign exchange losses on financing activities	**-**	(100)
Share based payments – warrants linked to new debt facility	**-**	(140)
Early settlement expense on Bracken facility – (see note 5)	**(924)**	-
Other finance charges	**(76)**	(124)
Finance costs	**(1,438)**	(751)
Other interest income	**2**	9
Finance income	**2**	9
Net finance expense	**(1,436)**	(742)

7. Loss per share

The basic loss per share has been calculated by dividing the loss 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 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 basic loss per share, as the exercise of share options and warrants would have the effect of reducing the loss per share and therefore is not dilutive.

	Six months Ended 31 December 2010	Six months ended 31 December 2009
Basic and diluted EPS		
Loss attributable to equity shareholders (£000)	**(3,616)**	(13,328)
Weighted average number of shares	**194,024,220**	103,494,274
Diluted weighted average number of shares	**194,024,220**	103,494,274
Loss per share (Basic and diluted)	**(1.9)p**	(12.9)p

8. Goodwill

	31 December 2010 £'000	31 December 2009 £'000	30 June 2010 £'000
Cost			
At 1 July	**52,524**	53,941	53,941
Additions through business combinations	**86**	-	-
Exchange adjustments	**1,639**	1,570	(1,417)
At period end	**54,249**	55,511	52,524
Accumulated amortisation and impairment			
At 1 July and period end	**2,879**	2,879	2,879
Net book value at period end	**51,370**	52,632	49,645

9. Intangible Assets

	31 December 2010 £'000	31 December 2009 £'000	30 June 2010 £'000
Cost			
At 1 July	**39,476**	25,793	25,793
Additions	**2,486**	16,856	17,256
Disposals	**-**	(25)	(43)
Reclassification to assets held for sale	**-**	-	(2,778)
Exchange adjustments	**702**	823	(752)
At period end	**42,664**	43,447	39,476
Amortisation and impairment			
At 1 July	**14,332**	6,085	6,085
Charge for the period/year	**1,613**	1,379	2,859
Disposals	**-**	(25)	(41)
Reclassification to assets held for sale	**-**	-	(2,491)
Impairment charge (note 5)	**-**	7,736	8,111
Exchange adjustments	**213**	203	(191)
At period end	**16,158**	15,378	14,332
Net book value at period end	**26,506**	28,069	25,144

Additions in the period relate to the licence fees paid for the Terbinafine spray technology and the rights to Kelo-cote for Germany, UK, France, Italy and Spain.

10. Trade and other receivables

	31 December 2010 £'000	31 December 2009 £'000	30 June 2010 £'000
Trade receivables	**9,691**	7,071	9,690
Less provision for impairment of trade receivables	**(1,560)**	(1,391)	(1,541)
Trade receivables-net	**8,131**	5,680	8,149
Other receivables	**903**	1,353	854
Prepayments and accrued income	**1,155**	911	983
	10,189	7,944	9,986

11. Trade and other payables

	31 December 2010 £'000	31 December 2009 £'000	30 June 2010 £'000
Trade payables	**6,683**	4,851	6,065
Other tax and social security	**805**	712	713
Other payables	**642**	1,415	999
Accruals	**3,844**	3,148	2,798
	11,974	10,126	10,575

12. Borrowings

	31 December 2010 £'000	31 December 2009 £'000	30 June 2010 £'000
Bank loans	**2,321**	3,392	2,536
Convertible loan notes	**2,300**	-	-
Other borrowings	**4**	10,452	17
Finance lease liabilities	**18**	47	-
Non-current borrowings	**4,643**	13,891	2,553
Bank overdrafts	**158**	1,530	221
Bank loans	**1,023**	1,294	1,178
Convertible loan notes	**-**	2,300	2,300
Other borrowings	**91**	1,574	10,982
Finance lease liabilities	**32**	50	41
Current borrowings	**1,304**	6,748	14,722
Total borrowings	**5,947**	20,639	17,275
Borrowings included above are repayable as follows:			
On demand or within one year	**1,304**	6,748	14,272
Over one and under two years	**4,643**	4,116	1,183
Over two and under five years	**-**	9,775	1,370
Total borrowings	**5,947**	20,639	17,275

The one year 8.0% unsecured convertible loan notes were re-financed on 3 September 2010, the redemption date, through the issue of a new loan note on the same terms as the previous loan notes. The loan notes can be converted to ordinary 1p shares in the Company at a price of 25.2p per share, at the option of the holder on 31 March 2011, 30 June 2011, 31 December 2011 and 31 March 2012, the redemption date. There is no fair value attached to the equity element.

The Bracken facility, included under other borrowings was repaid in full in the period.

13. Cash flow from operating activities

	Six months ended 31 December 2010 £'000	Six months ended 31 December 2009 £'000
Loss before tax	**(4,018)**	(14,490)
Adjustments for:		
Finance income	**(2)**	(9)
Finance costs	**1,438**	751
Share based payment	**(294)**	666
Depreciation	**103**	189
Amortisation of intangible assets	**1,613**	1,379
Impairment charges	**-**	7,938
Decrease in provision for doubtful debts	**(49)**	(26)
Increase in provisions	**(314)**	924
Exchange gains	**42**	(1,112)
	(1,481)	(3,790)
Changes in working capital (excluding effects of acquisitions)		
Increase in inventories	**(985)**	(503)
Decrease in receivables	**649**	2,135
Increase/(decrease) in payables	**484**	(233)
Decrease in deferred income	**(141)**	(615)
Net cash outflow from operations	**(1,474)**	(3,006)

14. Business Combinations

Sinclair Pharma Plc acquired 100% of the issued share capital of Cranage Healthcare Limited on 29 November 2010. Cranage Healthcare is the distributor of Kelo-cote in the UK.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase Consideration

	£'000
Cash Paid	**365**
Contingent consideration	**331**
Total purchase consideration	**696**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value £'000
Property, plant and equipment	**2**
Intangible assets	**768**
Inventories	**30**
Receivables	**159**
Borrowings	**(96)**
Payables	**(253)**
Net identifiable assets acquired	**610**
Goodwill	**86**
	696

The Goodwill is attributable to the knowledge and customer contacts in the UK market of key personnel in Cranage Healthcare limited. None of the goodwill is expected to be deductible for tax purposes.

(a) *Acquisition-related costs*

There are no significant acquisition related costs.

(b) Contingent consideration

The contingent consideration arrangement requires the Company to pay the former owners of Cranage Healthcare Limited a proportion of future profits for the years ending 30 June 2012, 2013, 2014 and a one-off payment if certain targets are achieved for the year end 30 June 2015.

The potential undiscounted amount of all future liabilities that the Group could be required to make under this arrangement is between nil and £514,000. The fair value of the contingent consideration arrangement is estimated at £331,000 and is based on a discount rate of 11.5% and assumes that the aggregate net profit in Cranage Healthcare Limited will be £974,000.

(c) Acquired receivables

The fair value of trade and other receivables is £159,000 and includes trade receivables of £160,000 with a small provision for bad debts. All other debts are considered recoverable.

(d) Revenue and profit contribution

The acquired business contributed revenues of £76,000 and net profits of £8,000 for the period from 26 November 2010 to 31 December 2010. If the acquisition had occurred on 1 July 2010, consolidated revenue would be increased by £316,000 and loss before tax decreased by £26,000.

15. Related party transactions

On 4 October 2010, Mr CP Spooner subscribed for 1,861,394 ordinary 1p shares under the Placing and Open offer at 32p per share.

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
Mr C P Spooner	Chief Executive Officer
Mr C H Foucher	Chief Operating Officer
Ms P A Freer	Senior Independent Director
Mr J-C Tshudin	Non-executive Director

By order of the Board

CP Spooner
Chief Executive Officer

G Cook
Chairman

23 February 2011

Independent review report to Sinclair Pharma Plc

Introduction

We been engaged by the company to review the condensed consolidated financial information in the half-yearly financial report for the six months ended 31 December 2010, which comprises the unaudited consolidated income statement, unaudited consolidated statement of comprehensive income, unaudited consolidated balance sheet, unaudited consolidated statement of changes in equity, 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 consolidated financial information.

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 consolidated financial information 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 consolidated financial information 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 consolidated financial information in the half-yearly financial report for the six months ended 31 December 2010 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
Reading
23 February 2011

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.