

FULCRUM PHARMA PLC
INTERIM REPORT 2007



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Pivotal thinking in drug development

Fulcrum Pharma is a drug development and regulatory services business that provides global expertise to achieve drug development and regulatory approval milestones.

Fulcrum Pharma offers immediate access to a highly credible, integrated development team that provides the strategic and operational leadership required to ensure that new drugs move smoothly from discovery research to product approval.

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HIGHLIGHTS

- > Group fee sales up 32% to £4.9m (H1 2006: £3.7m)
- > EBITDA up by 80% to £304,000 (H1 2006: £169,000)
- > Profit before tax up by 32% to £66,000 (H1 2006: £50,000)
- > Growth strategy being implemented. Further acquisition announced
- > Strong sales growth in Europe, Japan and Regulatory Services

INTRODUCTION

I am pleased to report that our trading performance continues to improve. In parallel, we have successfully implemented the next stage of our growth strategy to increase scale through acquisition and organic growth.

STRATEGIC REVIEW

We have recently acquired Unicus Regulatory Services Ltd ("Unicus"), a UK based regulatory services business. This acquisition and the successful integration of Quadramed Ltd ("Quadramed"), which was acquired in February 2006, establishes Fulcrum as a leading independent provider of Regulatory Services in Europe. In addition we have grown organically to increase the size of our global pharmaceutical Development Services business. Group headcount, excluding Unicus, has increased by 50% since 28 February 2006. Fulcrum will use its enlarged business to capitalise on the Pharma and Biotech industries' increasing demand for development and regulatory services. Globally research and development outsourcing is growing at 15% with specialist areas expanding even faster.

FINANCIAL REVIEW

The results for the half year ended 28 February 2007 show a profit before tax of £66,000 (H1 2006: profit of £50,000). Group fee sales have risen by 32% to £4.9m compared with the corresponding period. Earnings before interest, tax, depreciation and amortisation ("EBITDA") were £304,000 (H1 2006 £169,000). The basic earnings per share of 0.05 pence compares with 0.03 pence per share in H1 2006.

The Company has adopted FRS 20 "Share-based payments" in these interim results. The adoption of this accounting standard represents a change in accounting policy and the comparative figures have been restated accordingly. The EBITDA figures are stated before these charges.

The balance sheet has net cash of £1.5m as at 31 March 2007 having improved from £0.7m as at 28 February 2007 (H1 2006: £1.7m). Post period end, the strength of the balance sheet has been maintained by funding the acquisition of Unicus through the issue of shares and a bank loan. As part of the funding, £500,000 was raised to increase working capital.

The directors do not propose a dividend but will keep under review the possibility of a dividend payable out of future profits (H1 2006: £Nil).

UNICUS ACQUISITION

The Company completed the acquisition of the entire issued share capital of Unicus on 18 April 2007. Under the acquisition agreement, the initial consideration of £2.5m was satisfied in cash. An earn out consideration, up to a maximum £2.5m, will be paid on a pro-rata basis for fees earned by Unicus in excess of £3.2m up to an upper limit of £5.3m. The earn out is based on Unicus fee sales from 1 April 2007 to 31 March 2008. The earn out consideration, if fully earned, will be satisfied with £1,050,000 in cash and £1,250,000 in convertible loan notes. The loan notes are convertible into ordinary shares at a price of 6 pence per ordinary share at the option of the noteholder. The convertible loan notes will attract interest at a rate of 2% over Bank of England base rate up to a maximum of 7.5% per annum.

The Company has funded the acquisition by raising £2.1m (before expenses) through a placing, conducted by Seymour Pierce, of 49,411,758 ordinary shares at a price of 4.25 pence per share. 6,426,399 ordinary shares were placed on 23 March 2007. The remainder of the placing, comprising 42,985,359 ordinary shares was placed on 16 April 2007 following the passing of a resolution at the Company's Extraordinary General Meeting on 12th April 2007. In addition the Company has agreed a loan facility of £1m with the Group's bankers.

OPERATING REVIEW

Commercial, Sales and Business Development

Group fee sales increased by 32% to £4.9m compared with £3.7m in the same period last year and with £4.7m in the second half of last year. The US dollar and the Japanese yen have weakened considerably against the pound compared with the same period last year. This has reduced sales by £200,000 but has had no adverse effect on overall profitability. We expect to see a stronger performance in the second half following the investments in infrastructure and staff made during the first half.

Following expansion of the Group, the management team has concentrated on integrating our selling approach and streamlining our global service offerings. The latter is resulting in new business opportunities and the broadening of our client base through the acquisitions of Quadramed and Unicus.

FULCRUM REGULATORY SERVICES

Sales continue to grow strongly under the leadership of Phil Birch. Performance has been stimulated by the successful integration of Quadramed and realisation of cross-selling opportunities with our Development Services. As part of the Fulcrum group, Quadramed's fee sales improved by 50% compared with the same period last year. Future organic growth in regulatory services has been supported by further grant assistance of up to £130,000 from the Scottish Executive. This will be used to expand the existing Fulcrum office in Edinburgh. The addition of Unicus strengthens Fulcrum's existing regulatory consulting and electronic publishing services and brings new capabilities in pharmacovigilance and product information management.

FULCRUM DEVELOPMENT SERVICES

Europe

This region has continued to deliver strong sales growth. Fee sales have increased by 20% compared with the same period last year. The General Manager for Europe, Sarah Arbe-Barnes, has focussed staff on the operational delivery of client work and is now engaged in strengthening the sales team.

US

The recovery in the US is taking longer than anticipated. A review of the business has been conducted by John Seman who was recruited to the position of US General Manager last year. Consequently, resources and skillsets in the US office have been realigned to match both domestic market needs and the requirements of our customers in Europe and Japan.

Japan

Under the leadership of Teruyoshi Okuda and Kiyoshi Fujimaru the specialist oncology clinical research organisation and regulatory businesses has evolved further to optimise staff utilisation and improve profitability. Over the period Japan has continued to make a good contribution to the Group both from domestic fee sales which have grown by 18% at constant currency and through signature of contracts to deliver fee sales for the European and North American offices.

FUTURE STRATEGY AND OUTLOOK

In the immediate future the company plans to expand its global Development Services through its offices in Europe, North America and Japan and consolidate its position as a leading independent provider of Regulatory Services in Europe and build a strong regulatory presence in the US. The Board intends to continue implementation of its plan to scale up the Group through a combination of M&A and organic growth and to deliver sustainable profits and value to our shareholders.

Finally I would like to thank all of our staff for contributing to the progress Fulcrum has made.

PROFESSOR SIR CHARLES GEORGE

Chairman

17 May 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 28 FEBRUARY 2007

| | Note | Period ended 28 February 2007 Unaudited £'000 | Period ended 28 February 2006 Unaudited (restated) £'000 | Year ended 31 August 2006 Audited (restated) £'000 |
|--|------|---|---|---|
| TURNOVER | 2 | 8,266 | 7,699 | 15,451 |
| Cost of sales | | (6,166) | (5,836) | (11,438) |
| GROSS PROFIT | | 2,100 | 1,863 | 4,013 |
| Selling expenses | | (212) | (299) | (563) |
| Administrative expenses | | (1,868) | (1,531) | (3,459) |
| Other operating income | | 45 | — | 65 |
| OPERATING PROFIT | | 65 | 33 | 56 |
| Interest receivable and similar income | | 20 | 25 | 59 |
| Interest payable and similar charges | | (19) | (8) | (42) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 66 | 50 | 73 |
| Tax on profit on ordinary activities | 3 | — | (10) | (12) |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | | 66 | 40 | 61 |
| Proposed dividend | 4 | — | — | — |
| PROFIT FOR THE PERIOD | | 66 | 40 | 61 |
| EARNINGS PER SHARE (PENCE) | | | | |
| Basic | 5 | 0.05p | 0.03p | 0.05p |
| Diluted | 5 | 0.05p | 0.03p | 0.05p |

All items included in the profit and loss accounts relate to continuing operations.

STATEMENT OF TOTAL GROUP RECOGNISED GAINS AND LOSSES

FOR THE PERIOD ENDED 28 FEBRUARY 2007

| | Period ended 28 February 2007 Unaudited £'000 | Period ended 28 February 2006 Unaudited (restated) £'000 | Year ended 31 August 2006 Audited (restated) £'000 |
|---|---|---|---|
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 66 | 40 | 61 |
| Exchange adjustments offset in reserves | 22 | 1 | (27) |
| TOTAL RECOGNISED GAINS FOR THE PERIOD | 88 | 41 | 34 |
| Prior year adjustment – FRS 20 | (171) | | |
| TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT | (83) | | |

CONSOLIDATED BALANCE SHEET

AS AT 28 FEBRUARY 2007

| | 28 February 2007 Unaudited £'000 | 28 February 2006 Unaudited £'000 | 31 August 2006 Audited £'000 |
|--|---|---|---------------------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 1,245 | 859 | 1,216 |
| Tangible assets | 605 | 471 | 552 |
| Investments | 469 | 172 | 469 |
| | 2,319 | 1,502 | 2,237 |
| CURRENT ASSETS | | | |
| Debtors | 4,707 | 4,133 | 3,657 |
| Short-term investments | 19 | 624 | 524 |
| Cash at bank and in hand | 927 | 1,357 | 1,571 |
| | 5,653 | 6,114 | 5,752 |
| CREDITORS: amounts falling due within one year | (3,882) | (3,840) | (3,874) |
| NET CURRENT ASSETS | 1,771 | 2,274 | 1,878 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 4,090 | 3,776 | 4,115 |
| CREDITORS: amounts falling due after more than one year | (392) | (149) | (545) |
| NET ASSETS | 3,698 | 3,627 | 3,570 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 1,285 | 1,285 | 1,285 |
| Share premium | 4,547 | 4,547 | 4,547 |
| Merger reserve | (454) | (454) | (454) |
| Profit and loss account | (1,680) | (1,751) | (1,808) |
| EQUITY SHAREHOLDERS' FUNDS | 3,698 | 3,627 | 3,570 |

CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 28 FEBRUARY 2007

| | Note | Period ended 28 February 2007 Unaudited £'000 | Period ended 28 February 2006 Unaudited £'000 | Year ended 31 August 2006 Audited £'000 |
|--|------|---|---|---|
| NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | 6 | (323) | (108) | 795 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | | |
| Interest received | | 20 | 25 | 59 |
| Interest paid | | (19) | (8) | (42) |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | 1 | 17 | 17 |
| TAXATION | | | | |
| Corporation tax (paid)/received | | (7) | 51 | (72) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | | |
| Purchase of tangible fixed assets | | (236) | (95) | (310) |
| Purchase of own shares for employee share options and awards | | — | (20) | (114) |
| Purchase of equity investments | | — | — | (297) |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | (236) | (115) | (721) |
| ACQUISITIONS AND DISPOSALS | | | | |
| Purchase of subsidiary undertakings (including costs) | | — | (123) | (123) |
| Net cash acquired with subsidiary | | — | 445 | 445 |
| NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS | | — | 322 | 322 |
| NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING | | (565) | 167 | 341 |
| MANAGEMENT OF LIQUID RESOURCES | | | | |
| Decrease in short-term investments | | 505 | 569 | 669 |
| FINANCING | | | | |
| Increase in bank borrowings | | 4 | — | — |
| Capital element of finance lease payments | | (13) | (21) | (30) |
| Bank loan repayments | | — | (36) | (87) |
| Loan note repayments | | (575) | — | — |
| NET CASH OUTFLOW FROM FINANCING | | (584) | (57) | (117) |
| (DECREASE)/INCREASE IN CASH | 6 | (644) | 679 | 893 |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | Note | Period ended 28 February 2007 Unaudited £'000 | Period ended 28 February 2006 Unaudited £'000 | Year ended 31 August 2006 Audited £'000 |
|--|------|---|---|---|
| (Decrease)/increase in cash | 6 | (644) | 679 | 893 |
| (Increase)/decrease in bank loans | 6 | (4) | 35 | 87 |
| Bank loan acquired with subsidiary | 6 | — | (11) | (11) |
| Decrease in short-term investments | 6 | (505) | (569) | (669) |
| Decrease in finance leases | 6 | 13 | 21 | 30 |
| CHANGE IN NET FUNDS RESULTING FROM CASH FLOWS | | (1,140) | 155 | 330 |
| Net funds at start of period | 6 | 1,868 | 1,538 | 1,538 |
| NET FUNDS AT END OF PERIOD | 6 | 728 | 1,693 | 1,868 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28 FEBRUARY 2007

1. ACCOUNTING POLICIES

The interim results for the six months ended 28 February 2007 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. They have been drawn up using accounting policies and principles consistent with those applied in the preparation of the audited accounts for the year ended 31 August 2006. The comparative information contained in the report for the year ended 31 August 2006 does not constitute the statutory accounts for the financial period. Those accounts have been reported on by the Company's auditors, PricewaterhouseCoopers LLP, and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act.

The 2007 financial year is the first year in which the Company has adopted FRS 20 – "Share-based payments". In accordance with this standard, the cost of share options awarded to employees under the Group's share option schemes is measured by reference to their fair value at the date of grant. This cost is recognised over the vesting period of the options based on the number of options, which in the opinion of the Directors, will ultimately vest. The impact in the six months to 2007 is a charge of £40,000 (2007: £38,000). The charge for the year ended 31 August 2006 is £81,000 and the aggregate charges for prior periods up to 31 August 2006 is £171,000. The prior period financial statements have been adjusted to reflect this.

2. TURNOVER

Geographical analysis by origin

| | Period ended 28 February 2007 £'000 | Period ended 28 February 2006 (restated) £'000 | Year ended 31 August 2006 (restated) £'000 |
|--------------------|--|--|--|
| Europe | 3,437 | 2,181 | 5,162 |
| USA | 588 | 683 | 1,349 |
| Japan | 834 | 815 | 1,831 |
| Total fee sales | 4,859 | 3,679 | 8,342 |
| Pass through costs | 3,407 | 4,020 | 7,109 |
| | 8,266 | 7,699 | 15,451 |

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | Period ended 28 February 2007 £'000 | Period ended 28 February 2006 £'000 | Year ended 31 August 2006 £'000 |
|---|--|--|--|
| CURRENT TAXATION | | | |
| UK corporation tax at 30% | — | 10 | 10 |
| OVERSEAS TAXATION | | | |
| Corporation taxes | — | — | 2 |
| TAX ON PROFIT ON ORDINARY ACTIVITIES | — | 10 | 12 |

The tax charge for the period differs from the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are explained below:

| | Period ended 28 February 2007 £'000 | Period ended 28 February 2006 (restated) £'000 | Year ended 31 August 2006 (restated) £'000 |
|--|--|--|--|
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAX | 66 | 50 | 73 |
| Profit on ordinary activities before tax and exceptional items multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%) | 20 | 15 | 22 |
| Effects of: | | | |
| Capital allowances in excess of depreciation | 5 | (7) | (7) |
| Expenses not deductible for tax purposes | 38 | 19 | 58 |
| Tax losses for the period not relieved | 5 | 21 | 51 |
| Research and development tax credits | (68) | (38) | (112) |
| CURRENT TAX CHARGE FOR THE PERIOD | — | 10 | 12 |

4. DIVIDENDS

The Directors do not propose to pay an interim dividend (H1 2006: £Nil per share).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2007

5. EARNINGS PER SHARE

| | Period ended 28 February 2007 £'000 | Period ended 28 February 2006 (restated) £'000 | Year ended 31 August 2006 (restated) £'000 |
|---|--|--|--|
| Profit on ordinary activities after taxation for basic earnings per share | 66 | 40 | 61 |
| | Number | Number | Number |
| Weighted average number of shares | 128,528,985 | 122,414,806 | 125,478,759 |
| Weighted average number of shares held by the ESOP Trust | (3,885,099) | (1,318,966) | (2,013,839) |
| Weighted average number of shares for basic earnings per share | 124,643,886 | 121,095,840 | 123,464,920 |
| Number of dilutive shares under option | 1,865,532 | 490,180 | 1,640,253 |
| Weighted average number of shares for diluted earnings per share | 126,509,418 | 121,586,020 | 125,105,173 |

The basic earnings per share is based on the Group's profit for the half year of £66,000 (H1 2006: £40,000) divided by the number of ordinary shares in issue, excluding those shares held by the ESOP Trust.

6. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of the operating profit to net cash outflow from operating activities

| | Period ended 28 February 2007 £'000 | Period ended 28 February 2006 £'000 | Year ended 31 August 2006 £'000 |
|--|--|--|--|
| Operating profit | 65 | 33 | 56 |
| Amortisation of intangible fixed assets | 70 | 7 | 51 |
| Depreciation of tangible fixed assets | 129 | 93 | 197 |
| FRS 20 Share option charge | 40 | 38 | 81 |
| Loss on disposal of fixed assets | 47 | — | 15 |
| Exchange loss | 27 | 1 | (13) |
| Increase in debtors | (1,053) | (693) | (216) |
| Increase in creditors | 352 | 413 | 624 |
| NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES | (323) | (108) | 795 |

6. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of net funds

| | As at 1 September 2006 £'000 | Cash flow £'000 | As at 28 February 2007 £'000 |
|--------------------------|---------------------------------------|--------------------|---------------------------------------|
| Cash at bank and in hand | 1,571 | (644) | 927 |
| Bank loans | (194) | (4) | (198) |
| Short-term investment | 524 | (505) | 19 |
| Finance leases | (33) | 13 | (20) |
| | 1,868 | (1,140) | 728 |

7. MOVEMENT IN SHAREHOLDERS' FUNDS

| | Period ended 28 February 2007 £'000 | Period ended 28 February 2006 (restated) £'000 | Year ended 31 August 2006 (restated) £'000 |
|---|--|--|--|
| Profit for the period | 66 | 40 | 61 |
| FRS 20 Share option charge | 40 | 38 | 81 |
| Issue of ordinary shares | — | 243 | 243 |
| Purchase of own shares for ESOT | — | (20) | (114) |
| Unrealised exchange profit/(loss) on consolidation | 22 | — | (27) |
| NET INCREASE IN SHAREHOLDERS' FUNDS FOR THE PERIOD | 128 | 301 | 244 |
| Opening shareholders' funds | 3,570 | 3,326 | 3,326 |
| CLOSING SHAREHOLDERS' FUNDS | 3,698 | 3,627 | 3,570 |

8. COPIES OF UNAUDITED INTERIM REPORT

Copies of this report are being sent to shareholders and are also available at the registered office of Fulcrum Pharma plc, Hemel One, Boundary Way, Hemel Hempstead, Hertfordshire HP2 7YU.

DIRECTORS AND ADVISERS

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