SPH.L

Sinclair Pharma plc
Preliminary results for the year ended 30 June 2010

Restructuring primes business for growth

9th September 2010, Godalming, UK: Sinclair Pharma plc (SPH.L), ("Sinclair" or the "Company") the international speciality pharma company, today announces its preliminary results for the year ended 30 June 2010.

FINANCIAL HIGHLIGHTS

- **Total revenue** of £27.6m (2009: £30.4m)
- **Gross margin** excluding licence income improved to 60.8% from 57.8%
- Group consistently profitable in H2 for the first time
- **EBITDA loss** before exceptional items and non cash licensing of £0.5m (2009: £1.9m)
- **Operating loss** before exceptional items of £3.7m (2009: £0.3m)
- **Operating loss** after exceptional items of £17.0m (2009: £2.7m)
- **Loss per share** after exceptional items of 13.5p (2009: 3.9p)

OPERATING HIGHLIGHTS

- Implementation of strategic review transforms the Company
- Strengthened executive management team allocated key area responsibilities
- Business now streamlined and highly focused on product commercialisation
- Strengthened sales & marketing capabilities driving revenue and margin growth across group
- Major institutional investments pre and post period creates strong capital base & reduces debt
- Strategic product acquisitions facilitated which accelerates growth potential
- Lucrative post period end licensing deals secured with leading new products for Athlete's Foot and anti-scar treatments to address global and key European markets
- Strong new business pipeline building

Chris Spooner, Sinclair's CEO commented:

"Following widespread management change, Sinclair's prospects have been transformed by a comprehensive restructuring programme which has produced both substantial cost savings and focused resources on productive assets. The company has already enjoyed a strong improvement in underlying sales growth and margins, and following a robust start to the new financial year is confident of further substantial progress.

Recapitalisation and the Flammazine/terbinafine spray/Kelo-cote deals have only been possible through strong institutional support. We raised £18.2 million last December, while the current fundraising of £19.0 million, secured at an 8% premium, will substantially reduce our debt and remove associated restrictive covenants.

The focus of FY10 was predominantly on restructuring and the integration of the Flammazine franchise. The focus of FY11 is to lay the foundations of sustainable strong growth primarily through multiple-product/country licensing deals and pipeline development. To this end, we expect positive news in the coming months.

Sinclair has palpable new energy and confidence, and is a fun and exciting place to work. Such rapid progress and change in just eight months is in large part due to the commitment and enthusiasm of our employees, to whom I am very grateful".

- Ends -

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Sinclair's management team will discuss the company's results at a presentation for analysts today at 9.30am which will be held at Biddicks, Mercury House, Triton Court, 14-18 Finsbury Square, London EC2A 1BR. Please contact Shane Dolan at Biddicks for further information on +44 (0)20 7448 1000.

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 & 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.

CHAIRMAN'S STATEMENT

The last financial year was one of generational change for Sinclair as we focused aggressively on creating a platform for greater sales and margin growth from our existing products; making and financing significant product acquisitions to achieve greater critical mass; eliminating all unproductive costs; achieving more consistent cash generation from a stronger capital base; and on effecting management and cultural changes to achieve these objectives.

Management and Cultural Change

We are all very grateful to Michael Flynn and Jerry Randall, for bringing the Company to being a well-known name in the specialty pharmaceuticals sector. However, in order to achieve our ambitious objectives for growth, improved operating efficiency and better cash flow generation, the Board decided, coinciding with the intention of Michael Flynn to retire, that a significant cultural change and

a new vision was important. Chris Spooner was appointed as CEO having demonstrated to the Board an exceptional vision of what the Company could achieve.

Chris performed an in-depth strategic review of your Company on his arrival and after receiving the full endorsement of your Board, embarked on an energetic plan for cultural change. There were immediate changes to the executive management team, including the appointment of Simon Youlton, our new Chief Scientific Officer, and a number of personnel changes at all levels. A flatter management structure has resulted in faster decision making and significantly reduced overhead and new information systems have increased operational and financial transparency. Every employee is aware of our corporate goals and has detailed personal objectives.

Stronger Balance Sheet

The appointment of Chris Spooner attracted the strong interest and backing of some of the largest and most respected institutional investors in Europe, who indicated an enthusiasm for new investment in the Company. We raised new equity of £18.2 million during the year and are currently raising £19.0 million. This second equity issue is at an 8% premium to the share price prior to the announcement of issue, which is a very encouraging sign of the level of support for the new management team. Both issues have been backed and indeed oversubscribed by major institutions.

These equity issues have enabled us for the first time to achieve a strong capital base; permit investment in strong new products; and to focus on driving sales of our own products instead of working to achieve one-off licensing deals to supply our working capital needs and fulfil City expectations.

Stronger Operating Performance

An intensive restructuring exercise was successfully completed during the year. We have yet to see a full year effect, but annual savings of £1.5m were achieved despite 27 new personnel joining in the second half. We have also significantly reduced general and admin costs and diverted these resources into a big step-up in marketing.

There has been a major drive to improve gross margins, resulting in a 3 percentage points improvement compared with 2009. We have dramatically reduced the number of peripheral products and focused resources on our key products. We are focusing actively on driving purchasing costs down by manufacturing more product at our French plant in Cléry, which is operating at record production levels and we are negotiating supply contracts with high quality manufacturers in India, initially for our growing emerging markets business.

As a result of these initiatives, operations were consistently profitable in the second half for the first time in the Company's history and we achieved our expectations despite spending considerable energy and resources on refocusing and restructuring and without recourse to one-off licensing transactions.

It always takes longer for the effects of restructuring and cultural change to be reflected in sales growth but during the second half we saw underlying growth in sales and the start to 2010/2011 has been particularly encouraging.

Product Acquisitions and Product Development

Your Company has an excellent distribution platform and good product acquisitions can improve critical mass and generate rapid gross margin contribution. During the year we acquired and integrated two of the world's leading wound care brands, Flammazine and Flammacerium. These under-marketed but leading products not only added £9 million of annualised sales immediately but offer excellent growth opportunities with appropriate marketing support, and some very promising line extensions and new indications.

After the year-end we announced that we had acquired an option to license the worldwide rights for a one-shot spray presentation of terbinafine for Athlete's Foot – the only such presentation currently available, and with a likely first European launch in H1 2012. We are also delighted to have licensed leading anti-scar treatment Kelo-cote for key European markets.

We have actively reviewed the potential of our in-house technologies. Of note, we remain convinced that Decapinol has significant potential despite the termination of Orapharma's US rights to the mouth rinse. Indeed, we are currently in discussions with a number of parties about taking the product forward. With the help of commercial partners we have commenced several delmopinol development programmes and have high expectations for a companion animal product which is currently in late-stage development.

Licensing
The complete reorganisation and relocation of our Business Development team to Paris has been accompanied by a change in strategy.

We have removed the pressure to enter into license agreements driven primarily by the need for revenue and cash and are taking a more strategic approach to licensing partners. Emphasis has been to reduce the complexity and improve the profitability of existing arrangements by focusing on key products and partners.

In key emerging markets, vigorous efforts have been made to secure long-term, multi-product, multi-country partnerships. Several promising negotiations are ongoing and we expect to make announcements during the current financial year. We strongly believe in the potential of this strategy to drive growth in the medium-term.

Outlook
Your Board is confident that a successful management, cultural and strategic change has been implemented. Accompanied by widespread restructuring and refocusing measures, and the introduction of significant new capital, we believe your Company is in the best position since its IPO to deliver excellent returns to shareholders.

We look forward to reporting further progress in the year ahead.

Grahame Cook
Chairman

BUSINESS REVIEW

Country Operations
Sinclair operates through its own affiliates in France, Italy, Spain and Germany, following the creation of the latter earlier on in the year. For the year ended 30 June 2010, Country Operations contributed £15.6m (57%) of Group revenues.

France
In December 2009, Patrick Loyer was appointed Operation Director for France. Marketing and regulatory affairs teams have also been strengthened, to develop effective marketing strategies and anticipate increased right-to-market requirements over pharma companies.

Sinclair maintained its sustainable strategy to dermatologists which led to Sinclair France achieving its ranking as N°11 company in terms of share of voice (CEGEDIM panel, Q2 2010). During the year, the French Operation also implemented its new strategy of direct sales to pharmacies, increasing its sales force and reinforcing OTC marketing expertise. From January 2010, following the acquisition of Flammazine and Flammacerium, the French Operation has initiated promotion to burns units, through the appointment of a Key Account Manager.

Important investment has been allocated to pre-marketing activities prior to the anticipated reimbursement of Atopiclair cream and subsequent re-launch, as well as to the launches of the Dermachronic XL range and Papulex UV and to the rapid and successful integration of Flammazine and Flammacerium into the current portfolio.

Sinclair France contributed £10.2m to Group revenues, increased from £9.8m in FY09, aided by the acquisition of Flammazine.

Italy
Sinclair Italy has demonstrated remarkable energy which led to their first profitable year at the operations level thanks to innovative and consistent mix-marketing activities, a dynamic sales force, which now covers the whole country and the transfer of all Italian distributor relationships to the Italian affiliate.

The Italian team launched the Soft line of foams (CeraSoft and ESoft) to dermatologists, which amongst other factors contributed to the 22% growth of Sinclair sales in Italy versus previous year. The oral care portfolio in Italy is currently promoted through partners such as Recordati, who were successful in launching the Aloclair Plus range last year which contributed to a 60% increase in Aloclair sales. As part of the Group's strategic review, the B-Lift & B-Derm ranges have been divested. This year, the Italian Operation contributed £4.7m to group revenues.

2010 saw the preparation ahead of the merger between our two Italian companies. With effect from 1 July 2010, there is just one Sinclair company in Italy, thus reducing administration costs.

Spain
In FY10 Sinclair reshaped its activities in Spain, through the consolidation of its sales force to dermatologists as well as through obtaining the authorization to own and market drugs. Despite the challenging economic climate in Spain, total product revenue increased by 70% mainly due to the consolidation of Flammazine and the growth of Sebclair and Papulex. FY10 also saw the successful launch of the Dermachronic XL range.

Germany
Sinclair Pharma Germany was founded in November 2009, to manage the German, Austrian and Swiss markets. Lothar Nau was appointed Country Operation Director to oversee developments in these territories.

After the initial period of establishment and consolidation, the new affiliate assumed responsibility for distribution partners in these territories. Since 1 April 2010, Sinclair Germany has held the marketing authorizations for Flammazine in Germany and Austria and has started to market and actively promote Flammazine in hospitals and burn centres. A new branch has been established in Switzerland to manage Flammazine and develop partnerships. Sinclair Germany contributed £0.5m to group revenues in the period since its incorporation.

International Operations
The International Operations team has been restructured and relocated to Paris during the year to facilitate the sharing of best practices. A new 'mean and lean' organization was set up with reinforced marketing and regulatory affairs skills. This move has been bolstered by new members in each regional team with an increased focus on supporting partners in marketing, regulatory affairs and logistics.

Following the change in management during the year and strategic review, International Operations is now focused on signing multi-country, multi-product deals in key, fast-growing, emerging markets. This year, International Operations revenues were £11.9m representing 43% of Group revenues, and now mostly composed of product sales and royalties, not one-off licensing fees.

MEPIA region (Middle East, Pakistan, India, Africa)
The MEPIA region represented more than 40% of International Operations revenue for the year. Along with a strong focus on realising our strategy in India, the MEPIA team successfully built on our relationships with key partners such as Hikma and through the key launches of Papulex and Effadiane in Algeria and Saudi Arabia. In line with the Group's goal of simplifying our modus operandi, the MEPIA team is currently reducing its number of partners in Algeria and Morocco and integrating Flammazine as the top product in the region in terms of revenue contribution.

ERTI region (Europe, Turkey, Greece, Israel)
In May 2010 Dario Opiparo was appointed Regional Business Director for the region which following the closure of the UK sales force in July 2009 now includes the UK business. During the year Atopiclair and Sebclair were launched in Eastern Europe, and Decapinol and Herpclair in Israel. Sinclair also signed a key multi-product, multi-country deal in Scandinavia with launches of Atopiclair,

Decapinol, Herpclair and Xclair planned for the coming year. In line with the Group's new strategy, the ERTI region is currently focused on consolidating its presence in Central and Eastern Europe through multi-country and multi-product partnerships.

NALA region (North America, Latin America)
Mutual termination of the Decapinol distribution agreement was agreed with Orapharma in the US in November 2009, opening ongoing discussions to find a new distributor to commercialise the rinse. A fruitful partnership with Sunstar Americas for Aloclair led to a 30% increase in sales versus FY09.

Sebclair, Sinclair's treatment for seborrhoeic dermatitis was launched during the year in the US by Promius Pharma, the dermatology division of Dr Reddy's Laboratories Inc., under the brand name Promiseb. In under a year, Promiseb has become one of the leading prescribed products within its class in the US.

A world-leading animal health company has maintained its exclusive rights to develop delmopinol for oral care in companion animals, adding $0.25m in licence fees to revenue for FY10.

ASIA region
Sinclair is currently involved in advanced discussions to find a multi-country, multi-product deal to cover key, high-growth Asian markets. An agreement is expected to be signed in FY11.

Manufacturing & Logistics
During 2010 Sinclair's manufacturing has undergone a rigorous streamlining programme to ensure the optimisation of the supply chain. As a result of this ongoing process, as well as the integration of Flammazine and Flammacerium, Sinclair manufacturing recorded a very strong performance in FY10. From a total of more than 15.8 million units produced this year, 4.9 million were manufactured by the Group's proprietary facility at Cléry Saint Andre, France (versus 4.2 million in FY09). Following the new product acquisitions in December 2009, 1.7 million units were produced for Flammazine and Flammacerium during H2. The total volume produced increased by 44% and SKUs have been reduced from almost 700 to under 400 with further rationalisation planned for the coming year. In FY10 the ratio of cost of production versus sales revenue decreased by 3 percentage points.

Further positive results are expected with the transfer of some production operations to a manufacturing contractor in India, which will significantly reduce product costs, since this facility will be used as a platform to supply finished products in a first stage to the Far East and low cost emerging markets. The supply chain team has been reinforced to rationalize the number of suppliers and SKUs, to improve COGs and to leverage production expertise.

Further cost reductions will be obtained by focusing on purchasing strategy through competitive purchasing and tenders, a reduction in the number of third party contractors and the reallocation of production to Cléry to improve capacity utilisation. Other projects include the completion of the artwork standardisation programme and an improved system for production forecasting. Most of these activities have already been implemented during FY10 and further positive results resulting from these changes are expected in FY11.

Marketing & communications
A consistent and coherent on-line strategy was initiated in H2 with the creation of a new Sinclair corporate website (www.sinclairpharma.com) presenting the Company's activities, portfolio and investor relations information. Product and country websites are now under construction, as is an extranet dedicated to Sinclair's distribution partner network and presence on social networking sites. The new Sinclair graphic chart is now fully deployed for both the dermatology and oral care portfolios, as well as for acquired products.

Finally, Product Champions have been appointed to share expertise and best practices across the operations on key brands, and to prepare the launches of the Soft line (foams) and of the Dosaderm range (first monodose packaging in dermatology and woundcare). Sinclair and its portfolio of products are now presented and promoted both coherently and consistently across all markets.

RESEARCH AND DEVELOPMENT

Simon Youlton, CSO, joined Sinclair in January 2010 to lead a restructured R&D and regulatory team from the Group's corporate offices in the UK. Simon immediately embarked on a strategic review of the R&D pipeline which resulted in swift decisions, and project attrition in order to release and refocus resources towards:

a) leveraging the key company assets with the largest commercial potential, such as delmopinol and the 'Flamma' branded products for burns and woundcare; and
b) identifying and undertaking the first steps in acquiring/licensing new products and near market developments that can not only synergise with Sinclair's existing pharmacy and dermatologists distribution channels but provide products with global reach and significant USPs.

R&D Strategy
Historically Sinclair has benefited from the acquisitions made in France and Italy. This has provided it a fast track route to market through its 'Annex II' QA certified facility in Milan to develop and deliver medical devices and a formulation and production expertise (gels, creams and foams) through its own manufacturing plant.

Sinclair has established and proven its ability to develop and launch dermatology and oral healthcare products in major markets. In the main, these are medical devices and Sinclair has been credited with being one of the first to open the medical device route for a fast-track market entry of creams and gels based on 'barrier' technology with an ability to ameliorate symptoms of disease. The company also has strengths in the cosmeceutical field with such brands as Papulex® for acne.

Products such as Atopiclair® have fast become recognised as being highly efficacious and filling a clinical gap that was previously present between the more aggressive Rx treatments and the simple emollient / cosmetic products.

Sinclair aims to continue developing such medical devices where clinical unmet needs present themselves and this also sits well with our intention to expand our woundcare franchise, where liquid dressings are recognised as being medical devices.

Over the last year Sinclair has firmly established its intent to expand the bandwidth of its products from a cosmeceutical/medical device company to a medical device/Rx company with multinational sales of branded and generic drugs with a USP. It is our intention to indentify new products that:

a) have unique USP's and patent protection in terms of presentation, delivery or ingredients.
b) have line extension growth possibilities based on internal compatibility with other proprietary Sinclair ingredients or know-how.
c) come with minimum rights to market in all of Sinclair's European Operational Countries and preferably with Europe/Asia/USA or global rights.

Like most biotechs and small to medium sized life science companies there is a need to supplement our R&D resources through externalization. We shall compliment our in-house formulation, pre-clinical development expertise and market knowledge through the use of Contract Research Organizations to manage our drug dossier drafting and clinical trial programs and collaborations with Academic and Clinical opinion leaders to progress projects through proof of principle stages.

Regulatory Affairs and QA
Sinclair has established a platform of very good procedures for QA and National Pharmacovigilance compliance and has successfully passed a number of audits and inspections from competent authorities and notified bodies during the last year.

The next financial year will place considerably more burden on the department and for this reason we have recently recruited a new Head of Global Regulatory Affairs. We have also retained the services of new contractors, one of whom will run a centralized e-database for the company's pharmacovigilance and the other has been recruited to manage and accelerate the completion of the Flammazine and Flammacerium MA transfers and dossier updates that arose from the acquisition late last year from Solvay.

Two New Product Acquisitions

A novel presentation of an OTC drug for Athlete's Foot

The first opportunity brings Sinclair a much needed boost in the field of anti-infectives. There are still relatively few classes of anti-fungal drugs on the market and of all the recent switches that have occurred from systemic to topical formulations, Lamisil® from Novartis has been the most commercially successful, and at its peak achieved annual sales in excess of $1 billion.

The active pharmaceutical ingredient (API), terbinafine is now genericised and in terms of efficacy is by far the most superior drug class to treat *Tinea pedis* infections. Sinclair has identified a development programme from Medpharm which is based on a novel and patented delivery platform (MedSpray) that allows the controlled release of the API from a spray on patch over several days. The ONLY other single application treatment for this indication is Lamisil Once® which is a aqueous gel in a tube (Note the Lamisil® spray equivalent requires daily applications for 7 days). Lamisil Once® is also not available in the USA. 10-15% of adults suffer from athlete's foot in the developed world and our licensed OTC preparation would combine the most effective active with the most user-friendly delivery system (patent protected).

The product has already completed a phase II non-inferiority study and reached its endpoints. We intend to use this clinical data for European approvals using an abridged dossier, to be submitted in H1 2011 and expect to launch through Sinclair country operations in 2012.

Sinclair will set up a new trial in the USA against a different comparator and once underway seek a licensing partner for North America.

Kelo-Cote

As announced in early September, Sinclair has licensed the rights to market Kelo-Cote® in France, Italy and Spain under the Sinclair brand and expect to launch the product in early 2011.

Kelo-Cote® is manufactured and marketed by Advanced Bio-Technologies, Inc in the USA and represents the most advanced derivation of a 'liquid' silicone dressing with the added benefit of a patented formulation allowing for a transparent, quick drying product to be applied to the skin. This has considerable application and patient esthetic benefits as most people do not favour use of silicone sheets taped to visible areas of their skin and make-up can be applied after application of Kelo-Cote®.

The product has shown superiority to other silicone gels on the market, and has proven efficacy in reduction in redness and itching and flattening of raised scars (Hypertrophic scars). It is effective as a preventative measure to enhance scar maturation and improve physical appearance and to reduce the symptoms of established problematic scars. It has a profile that compliments Sinclair's woundcare expansion needs and current market presence. The product is both sold OTC and by prescription. It is reimbursed in the UK and listed in the BNF. It is both 510K and CE certified.

The markets for Kelo-Cote® are burns centres (complimenting Flammacerium), dermatologists and pharmacies and it has potential use in scar management after elective cosmetic surgery such as breast augmentation. A new Kelo-Cote® Solaire (with sun blocker) product has just been certified in Europe and will be available at launch to Sinclair.

Sinclair has also secured development rights under the ABT patents and aim to use the technology in Kelo-Cote® line extensions that may well include other wound healing ingredients and further presentations of a silicone based product.

Internal Development Programmes

Flammacerium and the 'Flamma' brand

A French based study which is not sponsored by Sinclair but which nonetheless addresses potential future applications of Flammacerium is underway. This trial is addressing its use in ischaemic ulcers and in particular as an alternative to the practice of excision in infected ulcers. Sinclair is to invest in wider registrations for licences for this highly efficacious product across Europe as well as updating the dossier and potentially extending the label. It is already used as an unlicensed medicine in the UK where demand from burns centres is high.

Sinclair is developing new non-drug based formulations of products for low level domestic burns and sunburn which will be launched under the 'Flamma' branding to pharmacies.

Delmopinol
Delmopinol is the key ingredient in our anti-gingivitis portfolio of products (marketed as 'Decapinol®') and is the ONLY 'biofilm busting molecule' available for licensing with a thorough clinical package. Sinclair is now directing its activities to proof of concept studies and partnering activities to extend its use in woundcare and for coating medical devices such as catheters. These applications have recent Sinclair patent applications based on medical 'use' claims. Early indications are that these markets need a molecule to combat the more pathogenic and difficult to remove 'biofilm' colonisers and that delmopinol may be employed as a single reagent or in combination with another antispetic. We have secured development agreements with partners established in these fields, where broadly each party contributes to the development at their own cost. The most advanced of these deals is for the use of delmopinol in the companion animal oral health market.

Peri-implantitis which is a condition caused by dental implant related infections is another 'low hanging fruit' to leverage the use of delmopinol. The rise of cosmetic/elective dental implants allied to there being no options currently available to mitigate incidence of microbial infection on the surface of the implants has provided Sinclair with a market for delmopinol pre-coated implants. The company already has proof of concept that the coating would work and not compromise osseo-integration or healing. It is now the intention to undertake a cross-over clinical study to show efficacy in reducing the incidence of post implantation infection. It is estimated that such a study would take 15-18 months to complete and would be the basis of a medical device certification and data to elicit a license from an implant manufacturer.

Chris Spooner
Chief Executive Officer

Christophe Foucher
Chief Operating Officer

FINANCIAL REVIEW

The year ended 30 June 2010 was split into two very different halves, both operationally and financially. The first half dominated by the acquisition of Flammazine, associated fund raising activities and changes in senior management. The second half dominated by the strategic review, integration of Flammazine and implementation of the new strategy. The financial performance was also dramatically different in each period as set out below:

	H1	H2
Revenue	£11.0m	£16.6m
Gross margin (excl licence revenues)	58%	62%
EBITDA pre exceptionals	(£2.4m)	£1.9m

Revenue

Overall revenue of £27.6m shows a 9% decline from the £30.4m reported for the year to 30 June 2009. This is due to a significant reduction in licence fee income of £6.4m as the non cash asset swap deals and one-off rights disposals from 2009 were not repeated. Product revenues and royalties increased by 15% to £26.6m from £23.0m as a result of the Flammazine acquisition which contributed £4.2m to revenues in the six months post acquisition. Sinclair will no longer engage in non cash asset swaps or focus on up front licencing income when entering into new distribution agreements but will prioritise ongoing product revenues and aim to maximise gross margins. Licence revenues are therefore not expected to be a significant contributor to revenues in future.

Country operations
Sinclair's country operations contributed 57% of Group revenue for the year, split as follows:

	2010	2009

	£m	£m
France	**10.2**	9.8
Italy	**4.7**	3.7
Germany	**0.5**	-
Spain	**0.2**	0.2
UK	**-**	0.4
	15.6	14.1

Sinclair France revenues were boosted by £0.8m by the acquisition of Flammazine. The transfer of the products from Solvay completed in March for France resulting in just over three months of revenue contribution for the year. Underlying sales, excluding the acquired products declined 6.7% over the year, continuing the decline seen in recent years. This is a result of a decline in sales through wholesalers while the new strategy of direct selling to pharmacies has shown encouraging signs of increased sales through pharmacies towards the end of the year and this has started to reduce the rate of decline seen across the French portfolio as a whole.

Sinclair Italy performed particularly well in the year with growth across all areas of the portfolio. Aloclair revenues grew by 60% as partner Recordati launched the Aloclair Plus range and Aloclair teething gel. Dermatology product sales grew by 23% in constant currency terms, in spite of a 36% decline in the non core dermacosmetic product range which is being disposed.

Sinclair Germany was incorporated in December 2009 in order to manage Flammazine and Flammacerium in Germany, Austria and Switzerland and to provide a country operation for Sinclair in Germany. The transfer of Flammazine products completed on 1 April and revenues of £0.5m therefore represent just three months sales for the products.

Sinclair's Spanish operation did not benefit from the transfer of Flammazine until June 2010 and therefore revenues are unchanged on 2009. The UK sales force was closed in July 2009 at which time the remaining revenues of £0.4m for the year were reclassified into International operations.

International operations

Revenue in international operations was unchanged at £11.9m. Product revenues and royalties increased from £8.8m to £11.0m, boosted by the acquisition of Flammazine and Flammacerium which contributed £2.7m in revenues to international operations. Importantly, product sales and royalties represented 93% of revenues, compared with just 74% in 2009. Underlying revenues, ignoring the impact of product acquisitions and currency fluctuations, declined by 7% in the year as a result of a reduction of £2.0m in revenues from Atopiclair and Sebclair. Both products saw increased revenue in 2009 due to large stocking orders from a distributor in Eastern Europe which were not repeated in 2010 and Atopiclair revenues also included £0.8m in 2009 from Graceway in the USA, prior to their acquisition of the rights in December 2008. This decline was partially offset by growth in revenues from Aloclair (£0.7m) and Decapinol (£0.4m).

Gross profit and margin

Gross profit of £17.2m for the year is reduced from the £20.7m recorded for 2009. This however is explained by the £6.4m reduction in licence revenues. Importantly, the Group has increased the gross margin excluding licence revenues (a key performance indicator) from 57.8% to 60.8% for the full year. This is a result of the focus on manufacturing and supply chain following the strategy adopted by new management from January 2010; and illustrates the benefit of increasing production at the Group's in-house manufacturing facility at Clery, France where spare capacity exists.

Operating expenses

Total operating expenses excluding exceptional items were reduced by £0.1m to £20.9m in the year. Selling, marketing and distribution costs increased from £9.5m to £9.7m as a result of the acquisition of Flammazine and a continued focus on sales and marketing activities. Administrative expenses declined from £11.5m to £11.2m, in spite of a £0.8m increase in amortisation charges. This reduction reflecting the £1.5m annualised cost savings achieved by the new management team following the group restructuring in early 2010.

Exceptional Items

Exceptional charges of £13.3m (2009: £2.4m) have a significant impact on the income statement and include the following major items:

- Impairment charges of £8.5m against certain product and technology rights. A re-assessment of the market potential of the technologies acquired through certain non-cash asset swap deals and a strategic review of the Group's R&D activities led to the decision not to continue development of the underlying technologies. A strategic review of the product portfolio by management led to the decision to dispose of the dermacosmetic products acquired in 2008 which are non core to the dermatology portfolio. These are non cash charges.
- Restructuring costs of £2.7m were booked in relation to severance and redundancy packages agreed with former directors, senior management and other employees who left the Group following the restructuring, and legal provisions relating to certain contracts.
- Foreign exchange losses of £1.0m (2009: gains of £1.7m) on the translation of an intra-group loan balance as a result of Sterling's appreciation against the Euro compared to June 2009. This is a non cash charge.
- Other exceptional charges of £1.1m include inventory provisions, legal claims and bad debt provisions. Further details are set out in note 3.

Operating Loss

There is an operating loss for the year pre exceptional items of £3.7m (2009: £0.3m) and post exceptional items of £17.0m (2009: £2.7m).

Financing Costs

Finance costs of £1.4m are unchanged from 2009. Interest charges of £0.9m (2009: £0.65m) are increased due to the increased level of net debt during the year, largely arising on the Bracken Facility which was drawn in December 2009 to part fund the Flammazine acquisition. Finance costs also include a share based payments charge on warrants issued to Bracken, £0.1m, and net foreign exchange losses arising on the translation of Euro denominated debts of £0.1m (2009: £0.3m).

Taxation

A tax credit of £0.7m (2009: £0.4m) is recorded for the year as a result of the increase in deferred tax assets recognised on certain of the Group's losses and in relation to the difference between the book value and tax value of certain intangible assets.

Liquidity & Capital Resources

The Group had cash and cash equivalents of £2.1m at 30 June 2010 (2009: £0.1m) as well as access to un-drawn committed borrowing facilities of €2.6m (£2.1m) (2009: £1.9m). Borrowings of £17.3m (2009: £8.3m) principally include the Bracken facility of £11.0m, bank loans of £3.7m (2009: £5.7m) and convertible loan notes of £2.3m issued in September 2009. Net debt at 30 June 2010 stood at £15.2m (2009: £8.2m).

Placing and open offer

On 26 August 2010, the Board announced a fully underwritten placing and open offer to raise £19m at 28p per share, an 8% premium to the closing share price on the day before. The net proceeds will be used to fully implement the new strategy by paying down the remaining debt under the Bracken facility, acquire two new products, invest in the development of existing assets (delmopinol and Flammacerium) and invest in regulatory affairs activities.

Alan Olby
Chief Financial Officer

Unaudited Consolidated Income Statement
For the year ended 30 June 2010

		Unaudited 2010			Audited 2009		
	Notes	**Pre-exceptional items**	**Exceptional items (note 3)**	**Total**	Pre-exceptional items	Exceptional items (note 3)	Total

		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2	**27,628**	**-**	**27,628**	30,408	-	30,408
Cost of sales		**(10,434)**	**-**	**(10,434)**	(9,704)	-	(9,704)
Gross profit		**17,194**	**-**	**17,194**	20,704	-	20,704
Selling, marketing and distribution costs		**(9,724)**	**-**	**(9,724)**	(9,535)	-	(9,535)
Administrative expenses	3	**(11,177)**	**(13,318)**	**(24,495)**	(11,477)	(2,428)	(13,905)
Operating loss		**(3,707)**	**(13,318)**	**(17,025)**	(308)	(2,428)	(2,736)
Finance income	4	**69**	**-**	**69**	131	-	131
Finance costs	4	**(1,397)**	**-**	**(1,397)**	(1,173)	(260)	(1,433)
Loss before taxation		**(5,035)**	**(13,318)**	**(18,353)**	(1,350)	(2,688)	(4,038)
Taxation	5	**725**	**-**	**725**	417	-	417
Loss for the year		**(4,310)**	**(13,318)**	**(17,628)**	(933)	(2,688)	(3,621)
Loss per share (Basic and diluted)	6	**(3.3p)**	**(10.2p)**	**(13.5p)**	(1.0p)	(2.9p)	(3.9p)

Unaudited Statement of Comprehensive Income
For the year ended 30 June 2010

	Unaudited 2010			Audited 2009		
	Pre-exceptional items	**Exceptional items (note 3)**	**Total**	Pre-exceptional items	Exceptional items (note 3)	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Loss for the year	**(4,310)**	**(13,318)**	**(17,628)**	(933)	(2,688)	(3,621)
Other comprehensive income						
Currency translation differences	**(912)**	**-**	**(912)**	2,330	-	2,330
Total comprehensive income for the year	**(5,222)**	**(13,318)**	**(18,540)**	1,397	(2,688)	(1,291)

Unaudited Consolidated Balance Sheet
At 30 June 2010

		Unaudited	Audited
		2010	2009
	Note	**£'000**	£'000
Non-current assets			
Goodwill	7	**49,645**	51,062
Intangible assets	8	**25,144**	19,708
Investments		**-**	165
Property, plant and equipment		**1,317**	1,643
Deferred tax assets		**2,004**	1,304
Other non-current assets		**209**	89
Assets held for sale		**426**	-
		78,745	73,971

Current assets			
Inventories		**4,775**	3,807
Trade and other receivables	9	**9,986**	9,764
Current tax receivable		**24**	48
Cash and cash equivalents		**2,071**	88
		16,856	13,707
Total assets		**95,601**	87,678
Current liabilities			
Financial liabilities – borrowings	11	**(14,722)**	(3,733)
Trade and other payables	10	**(10,575)**	(9,865)
Deferred income		**(405)**	(713)
Current tax liabilities		**(7)**	(163)
Provisions		**(572)**	(382)
		(26,281)	(14,856)
Non-current liabilities			
Financial liabilities – borrowings	11	**(2,553)**	(4,602)
Deferred income		**(29)**	(280)
Other non-current liabilities		**(265)**	(239)
Provisions		**(98)**	(343)
		(2,945)	(5,464)
Total liabilities		**(29,226)**	(20,320)
Net assets		**66,375**	67,358
Equity			
Share capital		**1,622**	1,033
Share premium account		**39,500**	23,131
Merger reserve		**50,474**	50,474
Other reserves		**5,616**	6,528
Retained deficit		**(30,837)**	(13,808)
Total shareholders' equity		**66,375**	67,358

Unaudited Consolidated Statement of Changes in Shareholders' Equity
For the year ended 30 June 2010

	Share capital	Share premium	Merger reserve	Other reserves	Retained deficit	Attributable to equity holders of the parent	Minority interest	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 July 2008 (audited)	**935**	**21,472**	**50,474**	**4,198**	**(10,760)**	**66,319**	**12**	**66,331**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	2,330	-	2,330	-	2,330
Loss for the year	-	-	-	-	(3,621)	(3,621)	-	(3,621)
Total comprehensive income for the year	-	-	-	2,330	(3,621)	(1,291)	-	(1,291)
Share based payments	-	-	-	-	573	573	-	573
Options and warrants exercised	1	-	-	-	-	1	-	1
Share capital issued	97	1,722	-	-	-	1,819	-	1,819
Share issue expenses	-	(63)	-	-	-	(63)	-	(63)
Purchase of minority interests	-	-	-	-	-	-	(12)	(12)
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	-	-	-	(912)	-	(912)	-	(912)
Loss for the year	-	-	-	-	(17,628)	(17,628)	-	(17,628)
Total comprehensive income for the year	-	-	-	(912)	(17,628)	(18,540)	-	(18,540)
Share based payments	-	-	-	-	549	549	-	549
Options and warrants exercised	11	19	-	-	50	80	-	80
Share capital issued	578	17,900	-	-	-	18,478	-	18,478
Share issue expenses	-	(1,550)	-	-	-	(1,550)	-	(1,550)
Balance at 30 June 2010 (unaudited)	**1,622**	**39,500**	**50,474**	**5,616**	**(30,837)**	**66,375**	**-**	**66,375**

Unaudited Consolidated Cash Flow Statement
For the year ended 30 June 2010

	Note	**Unaudited**	Audited
		2010	2009
		£'000	£'000
Cash flows from operating activities			
Net cash outflow from operations	12	**(5,066)**	(1,225)
Interest paid		**(1,525)**	(803)
Interest paid on finance leases		**(12)**	(45)
Taxation (paid)/received		**(149)**	1,603
Net cash used in operating activities		**(6,752)**	(470)
Investing activities			
Interest received		**66**	456
Purchases of property, plant and equipment		**(245)**	(482)
Proceeds from sale of property, plant and equipment		**11**	27
Purchase of intangible assets		**(17,667)**	(2,005)
Payment of contingent consideration re CS Dermatologie		**-**	(237)
Deconsolidation of Portugal subsidiary		**-**	(129)
Acquisition of subsidiary undertaking, net of cash acquired		**-**	(400)
Net cash used in investing activities		**(17,835)**	(2,770)
Financing activities			
Repayments of obligations under finance leases		**(65)**	(219)
Proceeds from borrowings		**15,593**	3,866
Repayments of borrowings		**(4,591)**	(3,203)
Proceeds from issue of share capital		**18,558**	1,598
Share issue costs		**(1,510)**	(63)
Net cash generated from financing activities		**27,985**	1,979
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**3,398**	(1,261)
Cash, cash equivalents and bank overdrafts at 1 July		**(1,597)**	(354)
Exchange gains on cash and bank overdrafts		**49**	18

Cash, cash equivalents and bank overdrafts at end of year	**1,850**	(1,597)
Cash, cash equivalents and bank overdrafts includes:		
Cash and cash equivalents	**2,071**	88
Bank overdrafts	**(221)**	(1,685)
Cash, cash equivalents and bank overdrafts	**1,850**	(1,597)

1. Basis of preparation

The preliminary financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union. In preparing this financial information management has used the principal accounting policies as set out in the Group's annual financial statements for the year ended 30 June 2009 and which will be used in preparing the financial statements for the year ended 30 June 2010. There have been no changes to the accounting policies during the year, except as described below:

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 preliminary financial information has 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 Group has not been party to any business combinations since 1 July 2009.

The preliminary financial information has not been audited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 30 June 2009 has been extracted from the Group's financial statements for the year ended 30 June 2009. The auditors' report on the financial statements for the year ended 30 June 2009 was unqualified and did not contain statements under either section 498 (2) or section 498 (3) of the Companies Act 2006. The financial statements for the year ended 30 June 2009 have been delivered to the Registrar of Companies.

The preliminary financial information has been prepared on the going concern basis which assumes that the Group has adequate resources to continue in business for the foreseeable future. On 26 August 2010, the company announced a fully underwritten placing and open offer to raise £19m (£17.9m net of expenses) at 28p per share, an 8% premium to the share price at the time. Part of the proceeds will be used to pay down the remaining debt under the Bracken facility. On the basis of firm placing commitments from a number of the Company's institutional and significant shareholders, the directors expect the placing the open offer to be approved by shareholders.

This announcement was approved by the Board of Sinclair Pharma plc on 8 September 2010.

2. Segmental 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).

	Unaudited 2010				Audited 2009			
Business Segments	**International operations**	**Country operations**	**Other**	**Total**	International operations	Country operations	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Revenue	**11,850**	**15,623**	**155**	**27,628**	11,898	14,150	4,360	30,408
Cost of goods sold	(5,849)	(4,585)	-	(10,434)	(4,206)	(5,498)	-	(9,704)
Gross profit	**6,001**	**11,038**	**155**	**17,194**	7,692	8,652	4,360	20,704
EBITDA	**4,174**	**(795)**	**(3,892)**	**(513)**	5,269	(2,104)	(896)	2,269
Total segment assets	**31,976**	**46,382**	**17,243**	**95,601**	26,616	61,045	17	87,678

During the period there were £3,064,000 (2009: £828,000) 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:

	Unaudited 2010 £'000	Audited 2009 £'000
EBITDA for reportable segments	**(513)**	2,269
Depreciation	**(335)**	(493)
Amortisation	**(2,859)**	(2,084)
Exceptional items	**(13,318)**	(2,428)
Operating (loss)/profit before tax	**(17,025)**	(2,736)

Revenue analysis

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

	Unaudited 2010 £'000	Audited 2009 £'000
Product revenue	**25,822**	21,999
Royalties	**819**	985
Licence fees and milestones	**987**	7,424
	27,628	30,408

Non-cash transactions of £Nil are included in Licence fees and milestones and net profit (2009: £4.2m).

3. Exceptional operating 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 year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

	Unaudited 2010 £'000	Audited 2009 £'000
Foreign exchange (losses)/gains	**(1,038)**	1,671
Restructuring costs	**(2,737)**	(1,442)
Impairment charges	**(8,470)**	-

Spiromix claim and impairment charge	**(175)**	(898)
Inventory provision	**(772)**	-
Provision for doubtful debts	**(126)**	(1,204)
Aborted acquisition costs	**-**	(555)
	(13,318)	(2,428)

Foreign exchange losses of £1,038,000 represent the loss on the translation of an intra-group loan balance (2009: gain of £1,671,000). This is a non-cash item.

Restructuring costs of £2,737,000 (2009: £1,442,000) include: redundancy packages paid to former directors and senior management as part of the management team restructuring; and provisions for settlements and legal costs following legal challenges from several employees and contractors whose contract have been terminated. Costs include £342,000 in respect of share based payments that vested on redundancy of certain employees and former directors.

Impairment charges of £8,470,000 have been made against certain product and technology rights. Disappointing sales of the dermacosmetic products acquired from Syrio and a strategic review of the product portfolio led to the decision to dispose of these products. Agreement has been reached with one of the current distributors to purchase the assets which have been written down to their recoverable amount. 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 technology and silver nanotechnology. These are non-cash charges.

An impairment provision of £898,000 in prior year was made against the value of the product distribution rights for Spiromix, as a result of manufacturing delays which have resulted in the product not being available for sale in Italy during the year. This is a non-cash charge. In the year ended 30 June 2010, a claim for damages was received from the distributor of the product, as a result of the manufacturing delays and a provision has therefore been made in respect of this claim.

The inventory provision of £772,000 relates to goods impounded by customs authorities in Saudi Arabia that were returned after 18 months but were no longer in a saleable condition, and to inventory of the dermacosmetic products that will be disposed for less than cost under the agreement to dispose of the product rights.

A provision of £126,000 (2009: £1,204,000) was made for a doubtful debt due from one distributor. Movements on other doubtful debt provisions are included within administrative expenses.

Aborted acquisition costs in the prior year were incurred in relation to an acquisition opportunity pursued in the summer of 2008. The discussions were terminated as a result of the market volatility in the autumn of 2008 by which time costs of £555,000 had been incurred.

4. Finance income and costs

	Unaudited 2010	Audited 2009
	£'000	£'000
Finance costs		
Interest on bank loans and overdrafts	**(327)**	(591)
Interest on other borrowings	**(601)**	(16)
Interest due on finance leases	**(5)**	(45)
Net foreign exchange losses on financing activities	**(100)**	(319)
Share based payments – warrants issued to finance providers	**(140)**	(86)
Other finance charges	**(224)**	(116)
Exceptional finance costs	**-**	(260)
Finance costs	**(1,397)**	(1,433)
Finance income		
Bank interest receivable	**7**	2
Interest receivable on trade receivables	**62**	50
Unwinding of discount on non-current asset	**-**	77
Other interest income	**-**	2

Finance income	**69**	131
Net finance expense	**(1,328)**	(1,302)

Exceptional finance costs in 2009 relate to professional fees incurred arranging finance facilities that the Directors decided not to enter into as the terms were unfavourable.

5. Taxation

	Unaudited 2010 £'000	Audited 2009 £'000
Research and development tax credits receivable	**26**	-
Overseas tax	**(78)**	(96)
Deferred overseas tax	**777**	523
Withholding tax	**-**	(10)
Tax credit on loss before tax	**725**	417

6. Loss per share

The basic loss per share has been calculated by dividing the loss for the year, by the weighted average number of shares in existence for the year. Shares held by the Employees' Share Trust, including shares over which options have been granted to former 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 at 30 June 2010, as the exercise of share options and warrants would have the effect of reducing the loss per share and therefore is not dilutive.

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	Unaudited 2010	Audited 2009
Loss attributable to equity shareholders (£'000)	**(17,628)**	(3,621)
Weighted average number of shares	**130,891,546**	92,904,290
Diluted weighted average number of shares	**130,891,546**	92,904,290
Basic and diluted loss per share (pence)	**(13.5p)**	(3.9p)

7. Goodwill

	Unaudited 2010 £'000	Audited 2009 £'000
Cost		
At 1 July	**53,941**	50,989
Additions	**-**	355
Exchange adjustments	**(1,417)**	2,597
At 30 June	**52,524**	53,941
Accumulated amortisation and impairment		
At 1 July and 30 June	**2,879**	2,879
Net book value at year end	**49,645**	51,062

Exchange adjustments arise as a result of the impact of the difference in the Sterling : Euro exchange rate at the beginning and end of the year on balances recorded in Euros.

8. Intangible Assets

	Unaudited	Audited

	2010	2009
	£'000	£'000
Cost		
At 1 July	**25,793**	17,779
Additions	**17,256**	6,743
Disposals	**(43)**	(108)
Assets reclassified as held for sale	**(2,778)**	
Exchange adjustments	**(752)**	1,379
At 30 June	**39,476**	25,793
Amortisation and impairment		
At 1 July	**6,085**	2,968
Charge for the year	**2,859**	2,084
Disposals	**(41)**	(6)
Impairment charge (note 3)	**8,111**	898
Assets reclassified as held for sale	**(2,491)**	
Exchange adjustments	**(191)**	141
At 30 June	**14,332**	6,085
Net book value at year end	**25,144**	19,708

Additions in the year primarily relate to the acquisition of Flammazine and Flammacerium from Solvay Pharmaceuticals for €17.5million plus associated acquisition expenses.

Assets reclassified as held for sale relate to the dermacosmetic products acquired from Syrio which have been written down to their recoverable amount, see note 3.

Exchange adjustments arise as a result of the impact of the difference in the Sterling : Euro exchange rate at the beginning and end of the year on balances recorded in Euros.

9. Trade and other receivables

	Unaudited 2010	Audited 2009
	£'000	£'000
Trade receivables	**9,690**	8,911
Less provision for impairment of trade receivables	**(1,541)**	(1,389)
Trade receivables net of provision	**8,149**	7,522
Other receivables	**854**	1,243
Prepayments and accrued income	**983**	999
	9,986	9,764

10. Trade and other payables

	Unaudited 2010	Audited 2009
	£'000	£'000
Trade payables	**6,065**	5,471
Other taxes and social security costs	**713**	788
Other payables	**999**	1,029
Accruals	**2,798**	2,577
	10,575	9,865

11. Borrowings

	Unaudited 2010 £'000	Audited 2009 £'000
Bank loans	**2,536**	4,050
Other borrowings	**-**	492
Obligations under finance leases	**17**	60
Non-current borrowings	**2,553**	4,602
Obligations under finance leases	**41**	66
Bank loans	**1,178**	1,629
Bank overdrafts	**221**	1,685
Other borrowings	**13,282**	353
Current borrowings	**14,722**	3,733
Total borrowings	**17,275**	8,335
Borrowings included above are repayable as follows:		
On demand or within one year	**14,722**	3,733
Over one and under two years	**1,183**	2,291
Over two and under five years	**1,370**	2,311
Total borrowings	**17,275**	8,335

The £12.0m new debt facility secured in October 2009 is classified under other borrowings. This is secured on the Group's assets and is contractually 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, contractually 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 full amount has been classified as borrowings due within one year following agreement between the Company and Bracken in June 2010 to waive the June 2010 covenant measurements in order for the Group to pursue its new strategy, in return for the facility being repaid in full out of the net proceeds of the Placing and Open Offer announced in August 2010.

The £2.3m one year unsecured convertible loan notes issued in September 2009 is included within other borrowings and bears interest at 8%. The convertible loan notes were refinanced by a new £2.3m loan note issued in September 2010. The loan notes can be converted into ordinary 1p shares in the Company at a price of 24.7p per share, at the option of the holder on quarter end days, starting on 31 December 2010 through to 31 March 2012, the redemption date. There was no fair value attached to the equity element as at inception.

During the year 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 13.

12. Cash flow from operations

	Unaudited 2010 £'000	Audited 2009 £'000
Loss before tax	**(18,353)**	(4,038)
Adjustments for:		
Finance income	**(69)**	(131)
Finance costs	**1,397**	1,433
Share based payments	**409**	487
Depreciation	**335**	493
Amortisation of intangible assets	**2,859**	2,084
Non-cash licence agreements	**-**	(5,363)
Impairment charges (note 3)	**8,470**	915

Loss on disposal of property, plant & equipment	**-**	56
Loss on sale or disposal of product rights	**-**	102
Profit on sale or disposal of subsidiary company	**(27)**	-
Increase in provision for doubtful debts	**34**	1,268
Increase in provisions – net of finance costs provision	**216**	465
Exchange losses/(gains)	**1,062**	(2,304)
	(3,667)	(4,533)
Changes in working capital		
Increase in inventories	**(1,247)**	(192)
(Increase)/decrease in receivables	**(625)**	4,419
Increase/(decrease) in payables	**1,029**	(989)
(Decrease)/increase in deferred income	**(556)**	70
Net cash outflow from operations	**(5,066)**	(1,225)

13. 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 in December 2009 and further fees of £180,000 are due and will be settled by the issue of shares to Mr Spooner as part of the Placing and Open Offer announced on 26 August 2010.

On 28 May 2010, a loan of £200,000 plus accrued interest of £19,459 was repaid to Mrs S Flynn, wife of Dr MJ Flynn a former Director of the Company.