



Sinclair Pharma plc

Preliminary Results

Godalming, 6 October 2005: Sinclair Pharma plc ("Sinclair"), the rapidly growing specialty pharmaceutical company, today announces its preliminary results for the year ended 30 June 2005.

Operating Highlights

- **Significant regulatory progress with 6 product approvals**
 - FDA approval for both Aloclair® Gel and Aloclair® Spray (for mouth ulcers)
 - FDA and EU approval for Decapinol® (for gingivitis)
 - EU approval for Alogon™ (for sore throats)
 - EU approval for Sebclair™ (for seborrheic dermatitis)
 - Two further FDA 510(k) filings made for Sebclair™ and Alogon™
- **Important commercial progress with 34 licensing deals and 27 launches of Sinclair products. Key highlights include:**
 - Atopiclair™ (for atopic and contact dermatitis) licensed in US to Chester Valley Pharmaceuticals and launched in June 2005.
 - Aloclair® products (for mouth ulcers) now on sale in over 24 countries through Sunstar Butler
 - Decapinol® (for gingivitis) launched in May 2005.
 - Xclair™ for radiation dermatitis licensed in US, UK, Germany, Korea & Colombia
 - SST™ (for dry mouth syndrome) licensed in US, Korea & Colombia
 - Salinum™ (for saliva replacement) licensed in US, UK, Germany, Austria & Colombia
- **Completed fourth acquisition since MBI: Euroderm RDC SpA (now Sinclair Srl)** providing direct sales force in Italy
- **Other Progress**
 - Successful double-blind study demonstrating the efficacy of Atopiclair™ in atopic dermatitis
 - Gelclair™/Aloclair® patent approved in the EU and US
 - Wal-Mart starts to sell Aloclair® Rinse (Rincinol® in the US) from April 2005
 - Aloclair® Rinse received accreditation from the UK Dental Health Foundation

Financial Highlights

- Turnover up 174% to £7.0m (2004: £2.5m), on continuing operations
- Operating loss of £2.8m (2004: £2.9m loss)
- Loss per share of 5.44p (2004: 6.59p loss per share)
- Cash balances of £4.9m at 30 June 2005 (2004: £7.8m)

- **Strong order book**
- **Positive outlook with current Q1 trading strong & substantial growth expected**

Post period end highlights

- Decapinol® Toothpaste & Gel receive EU regulatory approval
- All three Aloclair® presentations licensed in Mexico
- Sebclair™ licensed to CVP inc in the US
- Atopclair™ launched in Italy and co-promotion there with specialist distributor

Michael Flynn, Chief Executive of Sinclair said,

“Sinclair has made major progress in the last year in its mission to become a leading specialty pharmaceutical company. The six regulatory approvals in the period and 34 licence deals confirm Sinclair’s regulatory and commercial expertise. Sinclair’s risk averse strategy, implemented at the time of the management buy-in, in 2000, has proved to be successful. In only five years Sinclair has rapidly acquired and integrated four acquisitions; obtained the approval for 13 new products in the EU and 9 in the US. It has licensing agreements in place for ten of these products. As these partners have commenced launching in their territories, our revenues from sales have increased accordingly. In short, the Company has achieved a solid platform of approved products, licensing partners and a pipeline of interesting future products which enable it to anticipate future sustainable growth and profitability with confidence.”

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Sinclair Pharma plc:

Sinclair Pharma plc, based in Godalming in the UK is quoted on the Alternative Investment Market (AIM) on the London Stock Exchange and has focused on the acquisition and development of niche patented pharmaceutical products in the fields of oral health and dermatology, and bringing them to the international market place via out-licensing partners. The Company combines product evaluation, product development, regulatory and business development expertise to add value to its acquired and in-house developed products. A key element of the Sinclair business model is to minimise risk and exposure by avoiding involvement in lengthy R&D programmes and rapidly achieving global distribution through a network of marketing partners. The Company has already licensed its products for distribution in over 40 countries around the world. www.sinclairpharma.com

CHAIRMAN'S STATEMENT

With the regulatory and commercial progress made this year, Sinclair is a materially stronger business than it was last year. 3 EU and 3 US product approvals and 34 licensing deals were struck during the financial year. Revenues increased by 174% to £7.0m (2004: £2.5m) on continuing operations.

In the last five years, Sinclair has obtained regulatory approval in the EU for thirteen of its products (two post period) and for nine of these in the US. It has furthermore achieved the licensing of a total of 10 of these approved products to partners in the US, EU and other countries. In the context of normal pharma industry time-frames, this is a remarkable achievement and lays the groundwork for substantial future revenue growth and sustainable profitability.

The Company has also taken an important step in the evolution of its strategy this year when it acquired Sinclair Srl (formerly Euroderm) and with it, its Italian sales force. This important step gives us greater control over the marketing of our products and will lead to substantially improved margins for those sold by our Italian sales force. The establishment of our own sales and marketing capability in other major markets is an important future part of our strategy. With our clear success in gaining regulatory approvals, we now have a large portfolio of approved products which we will be able to market ourselves in selected countries as well as through licensing partners.

As indicated in our market update in June, Sinclair has a robust near term pipeline of future potential products. These include five new derma products, five oral care products including two Decapinol® line extensions for which, post period, we already have EU regulatory approval and two products for the treatment of eye conditions.

We are now seeing increasing revenues from our main products as our licensing partners start to market them. Our Atopiclair™ agreement with Chester Valley Pharmaceuticals Inc. last December has resulted in the product's US launch in June this year. Similarly, Decapinol®, our novel oral rinse product for gingivitis, has now been launched in Italy by Dompé. Our other key oral health, and currently largest product, Aloclair®, is now being sold by the international group Sunstar Butler in 24 countries in the EU and North America. The US based retailing giant Wal-Mart is now selling Aloclair® Rinse (marketed in the US as Rincinol®) in its US stores and superstores. Aloclair® is now Sinclair's most widely available products with a total of 34 licensing agreements covering over 50 countries, including the Far East, the USA, Canada, South America, Australia, Europe and the Middle East.

Mr Steve Harris, Non-executive Chairman

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

Strategy

Sinclair is a rapidly growing specialty pharmaceutical business developing a strong portfolio of niche pharmaceutical products in dermatology and oral health. We manage risk by avoiding the heavy cost and long time frames associated with traditional R&D. Instead, we deploy our expertise in identifying and acquiring those products that have hit hurdles (developmental or regulatory) in the latter stages of their development. We have a proven ability to overcome such hurdles and are achieving strong regulatory success. We now have 13 products approved in the EU and 9 in the US.

The next step in our strategy is to acquire our own marketing infrastructure in selected markets, enabling us to retain greater control over our products and higher margins. The first such step in this strategy was the acquisition of Euroderm in Italy in January 2005.

Regulatory Progress for Financial Year 30 June 2005

Regulatory progress in the past year has continued to be strong. Since July 2004, we have achieved three new US registrations and three in EU. This year both Aloclair® Gel and Aloclair® Spray, for the treatment of mouth ulcers and oral lesions, received US Food & Drug Administration (FDA) approval as medical devices. These were followed by FDA approval for our novel mouth rinse Decapinol® for the treatment of gingivitis. In the EU we received regulatory approval (as medical devices) for, Decapinol®, Alogon™ our Aloclair® line extension for the relief of pharyngitis (sore throat) and lastly for Sebclair™ our product for seborrheic dermatitis.

Licensing Progress for Financial Year 30 June 2005

Early product approval has facilitated the establishment of numerous licensing agreements. Since we operate in niche markets, it is our strategy to look for the most suitable licensing partners who we believe will expedite the launch of our products. Over the last year we have concluded thirty-four agreements covering eight products. The most significant of these products include Atopiclair™, our treatment for atopic and contact dermatitis, and Decapinol® as well as the three Aloclair® presentations. Aloclair® is presently Sinclair's largest selling product and is now licensed to partners covering more than 50 countries.

PRODUCT AREAS

Oral Health

Aloclair® Rinse, Gel & Spray & Gelclair™ for mouth ulcers and oral lesions

Aloclair® is currently Sinclair's largest product in terms of sales and distribution. Sales of Aloclair® to distributors were slightly lower than last year due to scheduling of purchase orders in the previous year. However, retail sales continue to increase and with the growing geographical spread of markets covered, Aloclair® will continue to be an important revenue contributor. Aloclair® has three presentations (an oral rinse solution, an oral gel and an oral spray). With the Gel and Spray US approvals this year, all three Aloclair® presentations now have regulatory approval in the US allowing them to be sold over the counter (OTC). TNS market research conducted for Sinclair indicates that 16% of the adult population get an oral ulcer over a 12 month period and 64% of that population seek pain relief with a medication. That research translates to a user base of over 100 million adults in both the EU and US where all three Aloclair® delivery systems are now approved. The global mouth ulcers market is estimated to be worth more than \$1 billion per annum

Fifteen distribution agreements for Aloclair® products (including extensions of existing agreements) were signed in the past fiscal year. The Sunstar Butler Group in particular has significantly increased its Aloclair® (Rincinol® in the US) distribution agreements over the past four years and they now cover 23 countries in the EU and North America.

This year, our Italian distributor Recordati confirmed that it will be selling all three Aloclair® products in Italy under the trade name of 'Alovex'. Also, our licensee in Hungary, Vicis Pharma Co, extended their existing agreement for Aloclair® Rinse and Gel to include Spray.

Further afield we have signed up three more licensees for Aloclair® Rinse. We licensed the Turkish company SSM for the distribution of Aloclair® Rinse in that country and have also signed up Pharmbio Korea and Meditech Int. Pty of Australia for distribution of Aloclair® Rinse in those countries.

This year the EU patent for Aloclair® Rinse and Gelclair™ was granted. Gelclair™ is Sinclair's product for the relief of severe oral ulceration and inflammation from various causes (mucositis). Sinclair was also advised this year that the US patent for Aloclair® Rinse and Gelclair™ had been granted. This triggered a US\$500,000 milestone payment under our existing worldwide distribution agreement with Helsinn Healthcare S.A.

A further testimony to the effectiveness of Aloclair® was the news that our UK licensee, Forest Labs, had secured accreditation for Aloclair® Rinse from the UK Dental Health Foundation. Aloclair® Rinse is the first product to receive such accreditation for the pain relief of mouth ulcers in the UK and the accreditation provides a significant independent validation of Aloclair® Rinse's efficacy.

Alogon™ for painful throat conditions such as pharyngitis

Based on the same technology as Aloclair® and Gelclair™, Alogon™ is Sinclair's new product for painful throat conditions such as pharyngitis. In Q2 it received EU approval as an OTC medical device.

The product is presented in the form of a liquid gargle but is also being developed as a tablet and spray. The registration of Alogon™ as a medical device in the EU was achieved significantly earlier than anticipated and Sinclair has now also filed for US 510(k) registration for the product.

Decapinol® for gingivitis

Decapinol® is a new oral rinse product for the treatment of gingivitis which we believe to have significant potential. Decapinol® received regulatory approval as a medical device in both the US and the EU during the financial year. License agreements were put in place in three markets. Following EU approval for Decapinol® at the commencement of the financial year we appointed Dompé International S.A as our distributor in Italy and they launched Decapinol® in June 2005 utilising their 228 strong sales force.

In March 2005 Laboratorios Inibsa SA was appointed as our distributor in Spain. Inibsa promotes the Oralex brand of toothbrush, toothpaste and mouthwash products to dentists in Spain and has a staff of 300, 42% of whom are employed in sales and marketing. Inibsa expect to launch Decapinol® in Spain in the coming months.

Decapinol® has been clinically proven in tests with over 2,000 patients. Decapinol® acts by interfering with the attachment of bacteria to the teeth and gum surfaces, in contrast to antiseptics and antibiotics such as chlorhexidine, which tend to kill all oral bacteria and adversely affect the natural balance of oral bacteria. Sinclair believes that Decapinol® is the first new chemical entity for gingivitis for the past 30 years and that it has the potential to grow the existing market since it is well tolerated compared to existing treatments. We are developing a range of new Decapinol® products such as toothpaste as announced at our R&D presentation to analysts and investors. The combined market for all mouthwashes and toothpastes is estimated to be worth \$12.5 billion of which \$10.5 billion is toothpastes. The market for specific gingivitis products is currently estimated to be worth £1.5 billion.

Sinclair is actively engaged in licensing discussions for Decapinol® in the US and the remainder of Europe and hopes to reach agreement in the major territories over the course of this financial year.

SST™ & Salinum™ for dry mouth syndrome ("xerostomia")

Sales for our dry mouth products at £153k (2004 £175k) were down 13% on last year. We expect growth again in this financial year with the anticipated US launch but, as our revenues increase, these products are likely to represent a decreasing proportion of our future revenues.

Both products already have regulatory approval in the EU and the US. Just before the year-end Salinum™ and SST™ agreements were signed for the US with Align Pharmaceuticals and with Bio Pharma for Colombia. During the year distribution agreements for Salinum™ were also signed in the UK with JJS Pharma Ltd, in Germany with ORCA Pharm and in Austria with Novopharm Bio. In addition at the end of May an agreement for SST™ was concluded with Medifocus Co. Ltd. of Korea.

Xerostomia occurs when the salivary glands' functions are partially or in extreme cases totally impaired. This may occur in a variety of circumstances including, old age, auto immune disease, a large number of drugs, and surgery or radiation therapy to the head and neck.

Xclair™ for radiation dermatitis

Xclair™ is at the start of its commercial life and was introduced in the first markets during the year and achieved sales of £208k. Based on the same technology as Atopiclair™, this product is for the treatment of radiation dermatitis which is an inflammatory condition of the skin afflicting patients receiving radiotherapy for cancer.

Xclair™ has previously received regulatory approval in both the EU and US. Progress on this product was evidenced by five new distribution agreements for Xclair™ over the year, in the US, UK, Germany, South Korea and Colombia.

Dermatology

Atopiclair™ for atopic and contact dermatitis

Atopiclair™, the first prescription medical device authorised by the US FDA to relieve the symptoms of atopic dermatitis and allergic contact dermatitis, was launched in the US in June.

An important treatment aim in atopic dermatitis is to reduce and control the itch associated with the disease. Proof of its efficacy was reinforced by the announcement in June of a positive US multicentre double blind trial in atopic dermatitis showing very rapid and highly significant clinical improvement.

During the year, Atopiclair™ was licensed in the US to Chester Valley Pharmaceuticals Inc (CVP). CVP is a well financed specialty dermatology company, headed by two highly experienced and respected pharma executives each with a significant track record in commercialising dermatology products. The dramatic reductions in itch, as well as other results from the recent US study, lead to CVP's belief that Atopiclair™ will be welcomed by physicians and patients in the US. Although only launched by CVP in June in the US, Atopiclair™ sales have got off to an encouraging start. The launch of this key product also triggered a £1.6 million license fee and milestone payment.

In the second half, a further three distribution agreements were put in place for Atopiclair™ in Portugal, Indonesia and Israel.

Sebclair™ for seborrheic dermatitis

Sebclair™ received EU regulatory approval as a Class 2a medical device for prescription or OTC distribution in April 2005. Discussions continue with the FDA and a response is expected in the current financial year.

Post period we appointed Chester Valley Pharmaceuticals Inc as our US licensee. We are actively seeking distribution partners for this promising product in other territories and we anticipate the first sales of Sebclair™ during the current financial year.

Seborrheic dermatitis is a common skin condition characterised by red, flaky skin. It is estimated to occur in 3-5% of the general population. It is common in young adult men, and in the under-5s, where it may manifest as 'cradle cap'. Sebclair™ addresses a market worth more than \$500 million.

Product Pipeline

As revealed in our R&D day in June, Sinclair has a growing product pipeline behind the portfolio of approved drugs and devices. Of these, the most exciting compounds include Decapinol® Toothpaste. Decapinol® Gel (both now approved in the EU). Decapinol® Toothpaste has the potential to take the Decapinol® range of products beyond the US \$2 billion mouthwash market into the US\$10 billion toothpaste marketplace. The introduction of our pipeline products for psoriasis and acne represent a step into this further multi-billion dollar market.

Acquisition of Euroderm RDC SpA

On 31 January we completed the acquisition of Euroderm RDC SpA, a privately-owned dermatology business. This deal increases Sinclair's product portfolio and during the last 5 months of the financial year Euroderm contributed £1.07m to overall revenues. Euroderm has its own sales force in Italy giving us greater control over our products and improved margins. Following the completion, the company was renamed Sinclair Srl.

Our success in registering new products ahead of expectations has meant that we have been able to accelerate our strategy to move down the distribution chain and gain higher margins for our products. We will now be able to market our growing portfolio of approved products directly in Italy. In addition, by acquiring a cash generative company that has capacity for further products we will not incur cash costs in setting up our own sales force in Italy. We intend to continue this strategy across the major territories in Europe.

Management

We strengthened our senior management this year with the appointment of Derek Williams as COO of our main operating company and Mario di Majo as head of our newly acquired company Sinclair Srl. Derek joined Sinclair from Celltech where he was most recently European Commercial Director, overseeing the restructuring of commercial operations and the establishment of a Europe-wide secondary care capability. Derek's primary role will be to lead Sinclair's expansion of its own sales and marketing capability across Europe and into North America as more of the products in the company's pipeline come to market. Mario was for the past ten years with Teva Pharma Italia, latterly as Hospital Business Unit Director. Paul Phull, previously Vice-President of Business Development was appointed as Business Development director of the operating company.

At the beginning of the year the Board was strengthened by the appointment of Grahame Cook as non-executive director. Grahame, aged 47, has over 18 years experience in investment banking advising on a wide range of M&A and Capital Market transactions in the US and Europe.

Post Period

Since the year end, Sinclair has received two EU regulatory approvals, struck seven new licensing deals covering six products and launched Atopiclair™ in the EU.

In early July both our Decapinol® line extensions Decapinol® Toothpaste (a toothpaste for treating gingivitis) and Decapinol® Gel (a product for the intensive professional treatment of gum infections had obtained EU registration approval. These products are based on the technology behind Decapinol® and the registrations significantly increase the addressable market for Decapinol®. Licensing agreements signed post period include agreements with Anabiosis Limited in Greece for the distribution of Salinum™ and Xclair™. Our US distributor for Atopiclair™ has also taken Sebclair™ in the US. Adding to their existing agreements, Sunstar Butler's Mexican company John O. Butler (Mexico) has signed distribution agreements for all three Alocclair® presentations while Pharmbio Korea Ltd has become our distributor for Decapinol® in South Korea.

We have also launched Atopiclair™ in Italy through Sinclair Srl (formerly Euroderm). This is Sinclair's first product launch through our own sales force and represents a significant step in the evolution of the Company's distribution strategy which, up to now, has been to appoint licensing partners to commercialise its products.

Announced today

Atopiclair™

Sinclair announced today that it's wholly owned Italian subsidiary Sinclair Srl (formerly Euroderm) has signed a one year co-promotion deal in Italy for Atopiclair™ with the Madaus Group's Italian subsidiary, Madaus Srl (Madaus). The Madaus Group focuses on development, marketing and sales of pharmaceutical products. Madaus will promote the product to the Italian paediatric market.

Decapinol®

Sinclair also announced that it signed an agreement with Pharmbio Korea Co Ltd in South Korea for the distribution of Decapinol®, its novel oral rinse for the treatment of gingivitis (gum inflammation).

In the US, the Food & Drug Administration (FDA) approved Decapinol® earlier this year as a medical device which may be sold on prescription. Following further discussions, the FDA have agreed to an important change to the labelling of the product to include **prevention of plaque**.

Sinclair sees the revised labelling as an important advance and one that will assist in establishing the platform for Decapinol®. In the US approximately 80 per cent of the adult population are estimated to have some degree of gum inflammation, resulting in a US *prescription* market for mouthwashes that may exceed US\$100 million¹. OTC mouthwash brands contribute to a several fold larger total market. We believe that Decapinol® has the potential to become a viable contender in this market since clinical trials have proved Decapinol® to be well tolerated and effective with clear unique advantages.

Outlook

Since our flotation in December 2003, we have successfully advanced our business model. The acquisition of Euroderm allows us to sell a number of our registered products directly in Italy and is the first step in Sinclair building a European direct sales force for its expanding derma portfolio. Through this we intend to share in the much larger margins available to distributors. It should be recalled that since our original management buy-in in 2000, we have successfully integrated three other acquisitions which have helped us to grow our product portfolio and technology platforms. We plan to make similar acquisitions in other key markets as the Company grows.

Our ongoing programme is therefore to find and develop new products via acquisitions and from technology platforms already acquired and to strengthen our product portfolio with patented products backed by clinical trial programmes. We also expect to see further clinical trial results together with product registrations, licensing deals and launches over the next twelve months.

We now have behind us very significant regulatory successes with 13 product registrations in the EU and 9 in the US. We have established sales and marketing agreements in more than 50 countries which have resulted in a growing number of international distributors now beginning to launch our products in key markets. After a year when the Company met or exceeded the market expectations we believe we have established a solid base from which we can confidently anticipate increasing revenue growth through product sales and increased momentum towards profitability.

Dr M. Flynn

Chief Executive Officer

¹ "Anti-gingivitis markets", a summary of the gingivitis market. Datamonitor, October 2004

FINANCIAL REVIEW

Revenue

Revenue on continuing operations saw a substantial increase over the previous year of over 170 per cent, rising to £6.97m (2004: £2.55m). This included the benefit of both license fees arising from our deal on Atopiclair™ in the US with Chester Valley Pharmaceuticals Inc., and revenues from our first acquisition following our IPO, being that of Euroderm RDC SpA, now renamed Sinclair Srl. License fees and milestone payments contributed £2.25m (2004: £0.05m) and arose from Atopiclair™ £1.63m (2004: £nil), Decapinol® £0.31m (2004: £nil) and Gelclair™ £0.31m (2004: £0.02m). The successful completion of the Atopiclair™ multicentre trial in the US meant we achieved total license fees and milestone payments for the financial year of \$3.0m. Associated with this are the costs of the US Atopiclair™ clinical trial. The benefit of the net additional revenue from the Atopiclair™ license and milestone fees was absorbed by lower gross margin than expected, due to product mix, and additional costs mainly due to accelerating the growth of our infrastructure.

The acquisition of Euroderm was our first acquisition of a business with its own direct sales force, and this contributed sales of £1.07m of revenue in the five months after acquisition.

Product sales and royalties, excluding Euroderm, rose by 45% to £3.64m (2004: £2.51m). This growth was seen across a number of products in the portfolio, with Atopiclair™ and Decapinol® generating revenues for the first time: Atopiclair™ from the US and Decapinol® from Italy and Spain. Aloclair® sales were lower than in 2004 simply due to the timing of some large stocking towards the end of 2004, however the off-take to consumers continues to grow. We are also very pleased at the continued growth of Visclair™ sales, being taken to market through our distributor Ranbaxy.

Gross Margin

Our product sales at the moment are dominated by our lower margin products, Aloclair®, Visclair™ and Photofrin. Also overall margin has been influenced by sales of Atopiclair™ in the US at cost plus 10% - we earn an additional 11% royalty on the distributor ex-factory sales, but for the early years we supply the product also at cost plus a small margin until Chester Valley Pharmaceuticals Inc. takes over manufacture.

The early part of the year saw some erosion of margin from the weak US dollar, impacting revenues from the US. However the dollar strengthened towards the end of the year.

We continue to work with our manufacturers to improve prices to us and hence margins.

Administrative Expenses

Administrative expenses excluding goodwill for the Group for the year were £6.25m (2004: £3.61m). As the Group has expanded, administrative expenses have naturally grown as we expand the portfolio and begin to have our own sales organisations. The acquisition of Euroderm added £1.16m of administrative expenses for the 5 month period since acquisition. In addition we incurred costs of £0.6m in order to undertake the Atopiclair™ multicentre trial, to support the launch of Atopiclair™ in the US. Of the remaining increase we saw some price inflation but also accelerated some of our product development programs and the recruitment of some key people.

Interest

The Group generated interest income of £0.248m (2004: £0.165m) on its cash balances.

Working Capital and Cash Generation

During the year the Group had net operating cash outflow of £2.39m (2004: £1.48m) before non-operating items such as the acquisition of Euroderm (£1.2m). Increasing product revenues (from licensing activities and now from direct sales ourselves, at much higher margins) will add to the cash generation of the business. This year has seen a period of accelerated investment in our product development pipeline and infrastructure which has utilised some operating cash. Year end cash balances of £4.9m (2004: £7.7m) were before the receipt of \$1.0m from Chester Valley Pharmaceuticals Inc. which was received shortly after 30th June 2005. This cash will be used for the further development of our product pipeline and to continue our acquisition strategy.

JAP Randall ACA

Chief Financial Officer

Group Profit and Loss Account

for the year ended 30 June 2005

	<i>Notes</i>	<i>2005</i> £000	<i>2004</i> £000
TURNOVER			
Continuing operations	2	5,900	2,546
acquisition		1,071	-
Discontinued operations	2	-	109
		<hr/>	<hr/>
Cost of sales		6,971 (2,616)	2,655 (1,664)
		<hr/>	<hr/>
GROSS PROFIT		4,355	991
Administrative expenses excluding National Insurance provision and goodwill amortisation			
National Insurance provision on share options		(6,251)	(3,613)
Goodwill amortisation		-	578
		(958)	(914)
		<hr/>	<hr/>
Total administrative expenses		(7,209)	(3,949)
OPERATING LOSS			
Continuing operations		(2,480)	(2,885)
acquisition		(374)	-
Discontinued operations		-	(73)
		<hr/>	<hr/>
		(2,854)	(2,958)
Profit on sale of discontinued operations		-	87
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION			
		(2,854)	(2,871)
Interest receivable		248	165
Interest payable		(18)	(14)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,624)	(2,720)
Tax charge on loss on ordinary activities*		(45)	(34)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(2,669)	(2,754)
MINORITY INTEREST IN RESULT FOR YEAR		-	-
		<hr/>	<hr/>
RETAINED LOSS FOR THE FINANCIAL YEAR		(2,669)	(2,754)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share per £0.01 Ordinary Share			
Basic loss per share	5	(5.44) p	(6.59)p
Diluted loss per share	5	(5.44) p	(6.59)p

* Tax charge arises in overseas operations only

Group Statement of Total Recognised Gains and Losses for the year ended 30 June 2005

	2005 £000	2004 £000
Loss for the financial year	(2,669)	(2,754)
Exchange difference on retranslation of net assets of subsidiary undertakings	48	(51)
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR	<u>(2,621)</u>	<u>(2,805)</u>

Group Balance Sheet at 30 June 2005

	<i>Notes</i>	2005 £000	2004 £000
FIXED ASSETS			
Intangible assets	4	18,341	16,928
Tangible assets		393	124
		<u>18,734</u>	<u>17,052</u>
CURRENT ASSETS			
Stocks		601	109
Debtors		4,901	2,061
Cash at bank and in hand		4,908	7,753
		<u>10,410</u>	<u>9,923</u>
CREDITORS: amounts falling due within one year		4,840	1,860
		<u>5,570</u>	<u>8,063</u>
NET CURRENT ASSETS		<u>24,304</u>	<u>25,115</u>
CREDITORS: amounts falling due after more than one year		175	-
MINORITY INTEREST		(4)	(4)
		<u>24,133</u>	<u>25,119</u>
CAPITAL AND RESERVES			
Called up share capital		592	539
Share premium account	6	16,171	16,030
Shares to be issued	6	-	4,367
Merger reserve	6	15,684	10,062
Other reserve	6	686	698
Profit and loss account	6	(9,000)	(6,577)
		<u>24,133</u>	<u>25,119</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>24,133</u>	<u>25,119</u>

Group Statement of Cash Flows

for the year ended 30 June 2005

	<i>Notes</i>	<i>2005</i> £000	<i>2004</i> £000
Net cash outflow from operating activities	7(a)	(2,385)	(1,479)
Returns on investments and servicing of finance			
Interest received		248	165
Interest paid		(18)	(14)
		230	151
Taxation			
Corporation tax paid		(238)	-
Corporation tax refunded		23	-
Capital expenditure			
Payments to acquire tangible fixed assets		(280)	(25)
Payments to acquire intangible fixed assets		-	(71)
		(495)	(96)
Acquisitions and disposals			
Purchase of subsidiary undertaking	3	(1,201)	-
Net proceeds on sale of operations (discontinued operations)		-	339
		(1,201)	339
Net cash outflow before financing		(3,851)	(1,085)
Financing			
Issue of ordinary share capital - flotation		-	10,800
Issue of ordinary share capital – ESOT		222	753
Share issue costs		-	(1,807)
Issue of ordinary share capital – share options		195	-
Repayments of finance lease		(1)	-
Cash outflow from repayment in short term loans	7(b)	(70)	(450)
Cash outflow from decrease in loan stock	7(b)	-	(587)
Cash inflow from increase in long term loans	7(b)	135	-
		481	8,709
(Decrease)/increase in cash	7(b)	(3,370)	7,624

Reconciliation of net cash flow to movement in net funds/(debt)

		2005	2004
	Notes	£000	£000
(Decrease)/increase in cash		(3,370)	7,624
Cash outflow from repayment of short term loans		70	450
Cash inflow from increase in long term loans		(135)	-
New finance lease		(55)	-
Cash outflow from decrease in loan stock		-	587
Change in net debt resulting from cash flows	7(b)	(3,490)	8,661
Exchange differences		61	1
Movement in net funds/(debt)		(3,429)	8,662
Net debt at 1 July	7(b)	7,683	(979)
Net funds at 30 June	7(b)	4,254	7,683

Notes to the Preliminary Results

1. Basis of preparation

The Board approved the preliminary announcement on 5 October 2005. The financial information contained in this preliminary announcement does not compromise statutory accounts within the meaning of section 240 of the Companies Act 1985. The results for the year ended 30 June 2004 are derived from the audited accounts for that period which received an unqualified audit report and did not contain statements under section 237(2) or (3) of the Companies Act 1985 and have been filed with the registrar of Companies. The statutory accounts for the year ended 30 June 2005 have been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 30 June 2004 and will be delivered to the Registrar of Companies in due course together with an unqualified auditors' report.

2. Turnover and segmental analysis

Turnover, which is stated net of discounts, rebates and value added tax, represents amounts invoiced to third parties, derived from the provision of goods and services which fall within the group's sole ordinary activity, the development and exploitation of pharmaceutical products, and can be analysed as follows:

	2005	2004
	£000	£000
<i>Continuing operations</i>		
Licence Fees	2,487	50
Product Revenue	4,484	2,496
<i>Discontinued operations</i>		
Product Revenue	-	109
Total	6,971	2,655

Discontinued operations in 2004 relate to the Caprin business, which comprised a UK based, telesales and distribution operation. The business was sold on 24 September 2003, as the business was considered no longer to be part of the core activities of the group.

3. Acquisition of Euroderm RDC SpA

On 31 January 2005 the group acquired Euroderm RDC SpA for a consideration of £3,873,000 (€5,600,000), before expenses, satisfied by the following.

- (i) Initial consideration of £1,052,000 (€1,500,000) in cash on completion at 31 January 2005.
- (ii) Initial consideration of £1,035,000 (€1,500,000) in Sinclair Pharma Plc ordinary 1p shares on completion based on an £GBP/€exchange rate of £0.6905 and an ordinary share valued at £1.24. Sinclair Pharma Plc issued 835,283 ordinary 1p shares to the shareholders of Euroderm RDC SpA to satisfy the initial share consideration.
- (iii) Additional consideration of £1,786,000 (€2,600,000) in Sinclair Pharma Plc ordinary 1p shares payable on the 10th day following the agreement of the Completion Accounts. The Completion Accounts were determined in April 2005 and on 24 April 2005, 1,428,037 ordinary 1p shares in Sinclair Pharma were issued to the shareholders of Euroderm RDC SpA based on an £GBP/€ exchange rate of £0.6869 and an ordinary share valued at £1.25.

The investment in Sinclair Srl (formerly Euroderm RDC SpA) has been included in the company's balance sheet at its fair value at the date of acquisition.

	<i>Book value</i>	<i>Adjustments</i>	<i>Fair value to group</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets - intangible	1,811	(548) ¹	1,263
- tangible	41	-	41
Stocks	205	-	205
Debtors	609	-	609
Creditors due within one year	(858)	-	(858)
Net assets/(liabilities)	1,808	(548)	1,260
Goodwill arising on consolidation			2,762
			4,022
			4,022
<i>Discharged by:</i>			
Cash (i)			1,052
Fair value of shares issued (ii), (iii)			2,821
Costs associated with the acquisition			149
			4,022
			4,022
<i>Cash outflow on acquisition</i>			<i>£'000</i>
Net cash acquired with the subsidiary			-
Cash paid			1,052
Costs associated with the acquisition			149
Net cash outflow			1,201

¹As required under FRS 11, the board has conducted an impairment review on the acquisition of Euroderm RDC SpA. The board has assessed the recoverability of all fixed assets purchased on the acquisition against future cash flows and using DCF techniques and tested their impairment. Accordingly, the board has adjusted the carrying value of certain intangible fixed assets.

Goodwill on acquisition is calculated on a provisional basis.

3. Acquisition of Euroderm RDC SpA (continued)

In 5 months to 30 June 2005, Sinclair Srl generated net cash outflows from operating activities of £1,001,960 paid £10,501 in respect of net returns on investments and servicing of finance, paid £nil in respect of taxation and utilised £52,582 for capital expenditure and financial investment.

The acquisition is classified as a substantial acquisition under FRS 6, and as such the following additional information is provided.

Summarised profit and loss account for the period 1 January 2004 to 31 December 2004 and 1 January 2005 to 31 January 2005

	<i>1 month to 12 months to</i>	
	<i>31 Jan</i>	<i>31 Dec</i>
	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Turnover	96	2,599
Operating loss	(73)	(294)
Loss before taxation	(76)	(294)
Taxation	-	-
Retained loss for the period	<u>(76)</u>	<u>(294)</u>

Retranslation of Sinclair Srl's net assets resulted in a £8,979 exchange gain in the groups' statement of recognised gains and losses in the five months to 30 June 2005. Euroderm RDC SpA had no other recognised gains and losses in the seven month period to 31 January 2005 other than the retained loss above.

4. Intangible fixed assets

	<i>Goodwill</i>	<i>Licenses</i>	<i>Other</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 July 2004	18,173	141	1,225	19,539
Contingent consideration adjustment	(1,517)	-	-	(1,517)
Additions in year - acquisition	2,762	1,263	-	4,025
At 30 June 2005	<u>19,418</u>	<u>1,404</u>	<u>1,225</u>	<u>22,047</u>
<i>Amortisation:</i>				
At 1 July 2004	2,511	32	68	2,611
Provided during the year	958	69	68	1,095
At 30 June 2005	<u>3,469</u>	<u>101</u>	<u>136</u>	<u>3,706</u>
<i>Net book value:</i>				
At 30 June 2005	<u>15,949</u>	<u>1,303</u>	<u>1,089</u>	<u>18,341</u>
At 30 June 2004	<u>15,662</u>	<u>109</u>	<u>1,157</u>	<u>16,928</u>

The goodwill arose on the acquisition of four companies in previous years and is being amortised over a period of 20 years. Purchased goodwill during the year of £2,762,000 relates to the acquisition of Euroderm RDC SpA details of which are outlined in note 3 above.

A contingent consideration adjustment has arisen as a result of the reduction in market value of the contingent consideration at the point of allotment for the 2002 acquisition.

- Additional consideration of £2,116,230 was satisfied by the allotment of 1,258,339 (post bonus issue) ordinary shares of £0.01 each in the share capital of Sinclair Pharma plc and having an estimated market value of £1.67 (post bonus issue) at the date of acquisition. The contingent shares were allotted in September 2004 when the mid market value of Sinclair Pharma plc ordinary £0.01 shares was priced at £1.02, a difference of £0.65 per ordinary £0.01 share when compared to the estimate. As a result the cost of acquisition has been reduced by £832,724.
- A further contingent consideration adjustment has arisen as a result of the reduction in market value of the contingent consideration satisfied on the release of Decapinol for sale in one of the designated territories. Additional consideration of £2,251,110 was satisfied by the allotment of 1,339,267 (post bonus issue) ordinary shares of £0.01 each in the share capital of Sinclair Pharma plc and having an estimated market value of £1.67 (post bonus issue) at the date of acquisition. The contingent shares were allotted on 2 June 2005 when the mid market value of Sinclair Pharma plc ordinary £0.01 shares was priced at £1.17, a difference of £0.50 per ordinary £0.01 share when compared to the estimate. As a result the cost of acquisition has been adjusted by £684,168.

The licences are held in a subsidiary company and comprise product distribution rights that have been capitalised and are being amortised over their useful life, a period of 10 years. Additions during the year relate to trade licences, trade marks and technical dossiers recognised under UK GAAP purchased with the acquisition of Euroderm RDC SpA. Trade licences, trade marks and technical dossiers purchased with Euroderm RDC SpA have been amortised over their useful life, a period of 10 years.

The other intangible fixed assets arose on the buy-out of future royalty obligations on certain of the Group's products. The consideration comprised 350,000 £0.01 ordinary shares at a price of £3.50 per ordinary share (prior to the bonus issue). The directors have determined that the useful economic life of the other intangible asset is 18 years.

5. Earnings per share

Basic and diluted loss per share

The basic loss per share has been calculated by dividing the loss for the year, after exceptional costs, by the weighted average number of shares in existence for the year.

Shares held by the Employee's Share Trust, including shares over which options have been granted to Directors and staff, have been excluded from the weighted average number of shares for the purposes of calculation of the 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 2005, as the exercise of share options would have the effect of reducing the loss per share and is therefore not dilutive under the terms of FRS 14.

	<i>2005</i>	<i>2004</i>
	<i>£000</i>	<i>£000</i>
Loss attributable to equity shareholders	(2,669)	(2,754)
	<i>Number</i>	<i>Number</i>
Weighted average number of shares	49,055,798	41,819,756
Dilutive share options	-	-
Dilutive share warrants	-	-
Diluted weighted average number of shares	49,055,798	41,819,756
Basic loss per share	(5.44)p	(6.59)p
Diluted loss per share	(5.44)p	(6.59)p

6. Reconciliation of shareholders' funds and movement on reserves

	<i>Share Capital £'000</i>	<i>Share premium account £'000</i>	<i>Shares to be issued £'000</i>	<i>Merger reserve £'000</i>	<i>Other reserve £'000</i>	<i>Profit & loss Account £'000</i>	<i>Total £'000</i>
At 1 July 2004	539	16,030	4,367	10,062	698	(6,577)	25,119
Warrants and options exercised	4	141	-	-	(12)	198	331
Biosurface acquisition	26	-	(4,367)	2,824	-	-	(1,517)
Euroderm RDC acquisition	23	-	-	2,798	-	-	2,821
Loss for the period	-	-	-	-	-	(2,669)	(2,669)
Exchange difference	-	-	-	-	-	48	48
At 30 June 2005	592	16,171	-	15,684	686	(9,000)	24,133

Relief under s131 of the Companies Act has been taken for the Biosurface Pharma AB and Euroderm RDC SpA acquisitions.

Warrant reserve

Other reserves arose on the grant of 784,875 warrants in settlement of the National Insurance liability on certain warrants and unapproved share options that were issued by the Company.

During the twelve months ended 30 June 2004, the Company entered into a joint election with the holders of certain warrants for the transfer of the employer's National Insurance liability arising on the exercise of the warrants. In consideration for the transfer of this liability, the Company granted additional warrants over units to subscribe for shares, which, as at the date of grant, provided the warrant holders with a right to subscribe for 784,875 shares.

The warrants were granted at the same exercise price as the warrants that attracted the National Insurance liability, which was less than market value on the date of grant reflecting the value of the National Insurance liability transferred to the holders. Accordingly, the intrinsic value (the difference between market price and the grant price) was transferred from the National Insurance provision and is included in the other reserve. The other reserve is released to the profit and loss account reserve as the underlying warrants are exercised.

Issue of ordinary share capital

As at 30 June 2005, the Company had 972,059 approved EMI share options and 1,570,187 unapproved EMI share options to subscribe for the Company's ordinary £0.01 shares, granted to certain employees, granted at option prices between £0.33 and £1.15 each. As at 30 June 2005, the Company also had 7,085,272 warrants and interests in shares over ordinary £0.01 shares, to be exercised at between £0.01 and £1.33 each. As at 30 June 2005 the Sinclair Pharma plc Employee's Share Trust holds 6,431,457 shares in respect of certain of these warrants.

During the year 145,000 share options and 568,570 share warrants were exercised.

7. Notes to the statement of cash flows

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

	2005 £000	2004 £000
Operating loss	(2,854)	(2,958)
Depreciation of tangible fixed assets	99	65
Amortisation of intangible fixed assets	1,095	993
(Increase)/decrease in debtors	(2,267)	2,579
(Increase)/decrease in stocks	(287)	151
Increase/(decrease) in creditors	1,867	(1,697)
Increase/(decrease) in provisions	23	(611)
Exchange losses/(gains)	(61)	(1)
	<u> </u>	<u> </u>
Net cash outflow from operating activities	(2,385)	(1,479)
	<u> </u>	<u> </u>

(b) Analysis of net funds/(debt)

	<i>At</i> 1 July 2004 £000	<i>Cash</i> flow £000	<i>Non-cash</i> movements £000	<i>Exchange</i> differences £000	<i>At</i> 30 June 2005 £000
Cash at bank and in hand	7,753	(2,906)	-	61	4,908
Bank overdrafts	-	(464)	-	-	(464)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	7,753	(3,370)	-	61	4,444
Short term loans	(70)	70	-	-	-
Long term loans	-	(135)	-	-	(135)
Finance leases	-	-	(55)	-	(55)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net funds	7,683	(3,435)	(55)	61	4,254
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(c) Major non-cash transactions

- i. During the year, 2,313,812 ordinary 1p shares in Sinclair Pharma plc were issued as consideration on completion of the acquisition of Euroderm RDC SpA.
- ii. Conditions regarding the contingent consideration of the acquisition of Biosurface Pharma AB were satisfied during the year and subsequently 2,597,606 ordinary 1p shares in Sinclair Pharma plc were allotted.