Sinclair IS Pharma plc

Preliminary results

Strong Progress Across the Business

22 September 2011, London, UK: Sinclair IS Pharma plc (AIM: SPH.L), ("Sinclair IS" or the "Company") the international speciality pharma company, today announces its preliminary results for the year ended 30 June 2011.

FINANCIAL HIGHLIGHTS

- **Total revenue** increased 19% to £32.9m (2010: £27.6m)
  - Like-for-like* revenue growth of 10%
  - £1.1m revenue contribution from IS Pharma business post acquisition
- **>£3m Incremental investment** in sales/marketing, development/regulatory affairs
- **EBITDA loss** before exceptional items of £1.4m (2010: loss of £0.5m)
- **Loss before tax** of £11.7m (2010: loss of £18.4m)
- **Adjusted loss before tax**** of £2.7m (2010: loss of £2.2m)
- **Loss per share** after exceptional items of 5.1p (2010: loss of 13.5p)

OPERATING HIGHLIGHTS

- Merger with IS Pharma in May 2011 adds UK infrastructure, commercial operations and hospital specialty products portfolio. Integration completed with further efficiency gains expected.
- 20 year pan-Asian multi-product partnership with Invida signed in December 2010, with first products already launched.
- Decapinol licensed to Sunstar Americas and launched as GUM Perioshield™ in July 2011.
- France returned to growth for the first time since 2006.
- Significant launches include Atopiclair in France and Kelo-cote in leading European markets.
- Opportunity to exploit IS portfolio demonstrated by multi-country partnership with Teva for Episil.
- Supply chain re-engineering programme to deliver further efficiencies. First Indian production at Encube in Goa.

Chris Spooner, Sinclair IS's Chief Executive, commented:

"We achieved our ambitious financial and commercial targets during the year to June 2011 and are now seeing the benefits of the recent restructuring and investment programme. Crucially we believe the Company is now able to deliver sustainable organic growth without the need for further financing. The integration programme with IS Pharma and the reorganisation of UK commercial operations was substantially completed within eight weeks. Recent trading has been particularly encouraging and with several planned launches in the near term we are confident that the momentum will build through the year to June 2012 and beyond."

* Like-for-like revenues exclude product acquisitions and disposals, one-off licence fee income and currency fluctuations.
** Adjusted loss before tax excludes exceptional items and intangible asset amortisation.

- 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 the offices of Financial Dynamics. Please contact Financial Dynamics for further details.

Notes to Editors:

About Sinclair IS Pharma plc – see www.sinclairispharma.com
Sinclair IS Pharma is an international specialty pharmaceutical company focused on treatments in dermatology, wound care, oncology support and critical care through advanced surface technology and innovative delivery systems. The Company has a growing sales and marketing operation with a direct sales presence in the top five European markets and an extensive marketing partner network across selected developed and emerging markets.

"Safe Harbor" Statement under the US Private Securities Litigation Reform Act of 1995: Some or all of the statements in this document that relate to future plans, expectations, events, performances and the like are forward-looking statements, as defined in the US Private Securities Litigation Reform Act of 1995. Actual results of events could differ materially from those described in the forward-looking statements due to a variety of factors.

CHAIRMAN'S STATEMENT

The year to June 2011 was the first full year for the new executive management team led by Chris Spooner and I am pleased to say that the strong momentum of change and growth begun with the prior year's restructuring has continued. Chris and his team focused on creating a financially self-sustaining core business which is able to prosper without recourse to external finance while making appropriate investment in a pipeline of future products; developing an acquisition plan to increase the critical mass of the business; and actively building Sinclair IS products into globally respected brands.

In these times of major volatility in financial markets the first priority for the management team after completing last year's restructuring was to build a business able to achieve good growth whilst investing in a high quality pipeline without depending on external finance.

This has been achieved by painstaking remedial efforts across all areas of the business, with the financial focus on both cutting overheads and investing heavily in business drivers. All marketing and product development costs are prudently written off as incurred so investment is inevitably a trade-off against operational profits. In the past year we have increased sales, marketing and product development spend by over £3 million.

We believe that the comprehensive restructuring and the focus on sales/marketing is largely responsible for the sharp improvement in operational performance during FY11. Revenue growth of the existing Sinclair business on a like-for-like basis in the year was 10% and contributed to overall revenue growth of 19% to £32.9m. Moreover this growth was achieved despite the previously disclosed rationalisation of "ex-growth" products, the termination of non-strategic distribution contracts as well as a temporary decline in the Middle East due to political instability. Our performance in France was particularly impressive, with a historic slow decline arrested and growth in sales of 21% delivered.

Towards the end of the financial year, we completed the merger with IS Pharma, boosting our product revenues, pipeline and future profitability and cash flows.

We believe that the resultant Sinclair IS platform can readily assimilate good corporate and product acquisitions and can now deliver excellent products meeting the highest quality standards to partners across the world. The merger consolidates our hospital presence, adding oncology and critical supportive care to wound care. It gives us for the first time a strong UK presence; an opportunity to sell Sinclair products in the UK; and to intensify commercialisation of IS products outside the UK which was previously capping the long-term growth aspirations at IS. A recent example of the benefits to our top line from the merger can be seen in the recent Episil marketing agreement with Teva covering five major European markets. The integration of Sinclair and IS was largely completed in eight weeks and will yield annualised cost savings in excess of £1 million.

We are also constantly reviewing in-licensing opportunities for further products which fit with our core focus. In September 2010 we completed the in-licensing of Kelo-cote scar reduction products and technology and these were rapidly launched in France, Spain and Italy, while existing marketing rights were acquired for the UK and Germany. We also announced the signing of a licence from Medpharm to develop a patented new spray presentation of the anti-fungal, Terbinafine, for the treatment of Athlete's Foot.

Our novel 'bio-film busting' mouth wash is now available in the US through the agreement with Sunstar Americas under the PerioShield™ banner. Sunstar has announced that "this

product's technology and efficiency qualifies it as the next generation solution for the treatment and prevention of periodontal disease" and we await the results of the launch with interest.

Your Board believes that there is substantial potential for Sinclair IS's products in the fast growing emerging markets. Accordingly, in 2010, we signed a 20 year pan-Asian multi-product licensing deal with Singapore-based Invida. Despite the highly complex and fragmented Asian regulatory affairs environment, I am delighted to announce that Papulex and Atopiclair have already been launched in several Asian markets. Further, the Company is actively looking at strategies to address opportunities in Latin America and the Middle East. We strongly believe in the potential of these markets to drive earnings growth in the medium and long term.

Sinclair IS enjoys a robust pipeline of future products. A high quality pipeline represents future profit and such investment is carefully assessed in terms of cost now versus future potential and risk. Our approach is to carefully manage the risk profile of our pipeline and we tend to avoid speculative technologies. For example, particular areas where we seek to exploit our know-how and intellectual property include dermatology and delmopinol biofilm technology. Line extensions of existing proven technology are a lower cost and effective way of delivering new products. Examples of this are the launches of FlammaSpray, our first Flamma line extension, and Dermadose, the first monodose presentation of our core dermatology brand.

Internally there has been a sea-change to a single culture across all regions; a focus on profitability and professionalism at all levels; and on meeting the highest regulatory and supply-chain standards. Outside the Company we are now associated by the industry with quality, innovation and influence.

We believe the increasing sophistication of the Sinclair IS business must be matched by relevant industry experience at Board level and this is reflected in the evolution of the Board. I am delighted to announce the appointment of Stuart Swanson as a Non-Executive Director. Stuart was co-founder of PharmaSwiss and he brings a remarkable track record of emerging markets success and experience. After more than a decade on the Board of IS Pharma and a further year supporting the negotiation and implementation of the Sinclair IS merger, I announce my departure, with the role of Chairman passing to Grahame Cook.

The speed of the IS integration programme speaks volumes for how well the Company's internal structures have developed over the last year. The IS infrastructure and product portfolio combined with the Sinclair country operations and international partnerships offer a scalable platform from which to build on the momentum enjoyed in FY11. First quarter trading is encouraging, and with multiple near-term product launches, emerging market opportunities and development programmes, your Board is confident of the outlook for FY12 and beyond.

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

John Gregory
Chairman

BUSINESS REVIEW

Sinclair IS has delivered a 19% increase in revenues to £32.9m, whilst investing in its pipeline, striking significant partnering deals and undertaking an important merger. Like-for-like revenues (excluding product acquisitions and disposals, one-off licence income and currency fluctuations) grew by 10%.

We believe this growth is a direct result of the continued commitment of the management team to reduce the complexity of the business and focus its resources on key brands. During FY11, we have incrementally invested in excess of £3m in sales, marketing, regulatory affairs support and product development.

The merger with IS Pharma has created a direct UK commercial presence and operations infrastructure. The integration was completed in early FY12 including a reorganisation of UK commercial operations.

Country Operations – Revenue £22.2m

France – Revenue £12.5m (+21%, +10% like-for-like)
French operations enjoyed the first year of underlying revenue growth since the 2006 CS Dermatologie acquisition. We believe our direct selling strategy was a key factor in this turnaround, notably the specialist pharmacy sales force formed in FY10. By the end of the financial year to 30 June 2011, a portfolio of 2,700 customers had been established from a target market of 4,500 urban outlets.

Atopiclair for atopic dermatitis was granted reimbursement last September. With a radically better value proposition for the patient, the re-launch has been highly successful, and within just three months, 28% of dermatologists were reported to be regular prescribers. Kelo-cote, a silicone-based anti-scar treatment was launched in February and is already the class leader. With an estimated 2.5m scars caused annually in France, the range has been marketed widely to plastic surgeons, dermatologists and pharmacists.

In oral care, France became the third Decapinol market after a distribution agreement was signed with Expanscience. Launched under the Auxinol label, early results are highly encouraging.

UK – Revenue £1.0m
Following the merger with IS Pharma, Andrew Morris was appointed as Commercial Operations Director to oversee the consolidation and expansion of the new UK organisation. The commercial strategy will see a shift of focus towards the specialist NHS hospital environment, with sales and marketing emphasis towards oncology supportive care and critical care. Sales and marketing teams are now based in London to enable sharing of best practice and to work more closely with the strengthened UK management team. In the past few weeks the merged UK operation has already launched Kelo-cote UV, Aloxi (oral) and Xclair.

Italy – Revenue £3.9m (FY10: £4.7m)
While the trading environment remains tough in Italy, the business continues to be profitable in large part due to the oral care distribution partnerships. In our dermatology business, the Kelo-cote launch was key to an improved, but unexciting trading performance. Overall revenues fell in FY11 due to the disposal of the non-core dermocosmetics portfolio at the

end of FY10. Though sub-scale, the business is a core part of the Group's strategy and enjoys healthy gross margins. Following the appointment of Dario Opiparo as the new Country Manager, various strategic options are under evaluation to improve performance.

Germany – Revenue £2.7m (FY10: £0.5m)
The Frankfurt office, established in late 2009 has enjoyed strong profitable growth in part due to its product concentration, with the bulk of revenues from Flammazine/Flammacerium, Kelo-cote and Variquel franchises. The region is a strategic priority for Sinclair IS, and we are optimistic for future growth prospects from both in-house launches and new distribution partnerships. In June 2011 we entered into a FlammaSpray co-promotion agreement for Austria with Medicopharma GmbH.

Spain – Revenue £2.1m (FY10: £0.8)
Sinclair Pharma Spain sales increased by 180% in FY11 and the business is already profitable and strongly augmented with co-marketing partners. With Vemedia, a significant decision to de-reimburse Flammazine has returned the product to profitability, while the launch of sunburn line extension FlammaSpray has been highly successful. With Bayer Intendis we are promoting Kelo-cote to dermatologists, while our partnership with Italfarmaco has led Aloclair Plus to a market leader position in Spain, with a sales increase of 73%.

International Operations – Revenue £10.6m (FY10: £11.8m)
This is a creditable performance taking into account both the loss of revenue due to our deliberate strategy to simplify Eastern European distributor relationships and order delays across North Africa during fiscal Q4 due to the effects of the Arab Spring. FY10 also included £0.7m revenue from one-off licence fee income.

In December 2010 Sinclair signed a 20 year multi-product pan-Asian licensing contract with Singapore-based Invida PTE for dermatology and wound care. Covering the 12 leading Asian markets (23% of the global dermatology market), the agreement includes China, India and, Australia and is a good example of our strategy to have fewer but more economically meaningful partnerships. Structured to encourage Invida to invest heavily in brand creation and the launch of our products, as previously disclosed the agreement is unlikely to make a material contribution to earnings until 2014, but is expected to be a significant driver of medium-term growth thereafter.

With over 1400 medical representatives at its disposal, by September 2011 – just eight months after signing the agreement - Invida has already launched Atopiclair and Papulex in several markets as well as the transfer of Flammazine and Flammacerium to The Philippines in May 2011. Similar launches in a further eight countries are scheduled before the end of 2011. The introduction of additional Sinclair dermatology brands are planned thereafter. In India, product is being manufactured locally by Encube Ethicals, marking the beginning of a significant re-engineering of our supply chain.

Sales to the US, Russia Northern & Eastern Europe grew 2% due to the consolidation and promotion of Flammazine/Flammacerium in Belgium, and a strong performance in Israel from both oral care and the launch of Atopiclair. In the Eastern European countries, the strategy has been to significantly reduce the number of local distributors and to focus on multi-country deals in key markets. This strategy was a drag on revenues in FY11. New collaborations are under consideration and should be finalised in FY12 and beyond. In the US, Sunstar Americas launched Perioshield mouth rinse (elsewhere known as Decapinol) as an OTC product under its well-recognised GUM brand. Although a great opportunity,

Sunstar's launch of Perioshield was at the end of FY11 period and therefore had minimal benefit to reported revenues.

In the Middle East, Pakistan, Turkey and Africa, the Arab Spring damaged sales in several countries including Tunisia, Egypt and Libya. As at September 2011 the signs of recovery are mixed. Egypt remains slow, but in Tunisia where the level of demand for our products is high, urgent orders have been now placed to re-supply the market.

Supply chain
Former IS Pharma COO Ann Hardy has been appointed Group Technical Director, and is responsible for re-engineering the Group's supply side processes and organisation, which will be predominantly based in the UK. We are confident this will lead to further efficiency savings beyond those achieved immediately by the merger.

On a headline basis, and as guided, the gross margin declined in FY11 with a full year contribution from the lower-margin Flammazine franchise. This trend masked some important developments however, including the strategic decision to buy back long-term rights held by an Italian supplier to exclusively manufacture certain dermatology products, allowing flexibility in future manufacturing plans. As a consequence, several product lines have already been switched to our Cléry facility and to Encube in India, initially for Invida's sales in to the Indian market.

Unprofitable and non-core products continue to be cut and this is reflected in further SKU reductions during the year. The Company will continue to cut or dispose of non-core products in order to focus on leading brands and further improve manufacturing efficiencies.

Development pipeline
FY11 has seen a complete revamp of the development pipeline. In line with the Company's strategy, the overriding goal has been to develop a portfolio of moderate technology risk projects which fit with the Company's core franchises, and where possible capitalise on trademarks, in-house IP and know-how. Commercial Operations are intimately involved with the project selection process. All product development proposals are signed off by the CEO to ensure both budget compliance and that any technology risk is deemed appropriate for the Sinclair IS strategy.

The pipeline falls into three broad areas:

1. New offerings in dermatology
2. Developing the Flamma franchise
3. Exploiting delmopinol anti-biofilm technology

New Offerings in Dermatology
Sinclair IS has in-licensed world-wide rights to a single application Terbinafine spray patch technology for Athlete's Foot. This opportunity combines a gold standard active ingredient with a unique delivery presentation that provides user appeal and compliance benefits. The 'spray-on/slow-release patch' technology is covered by patents which we expect to be granted shortly. Following MHRA advice on required clinical data we are reviewing whether to do a smaller EU study for submission by 2012 year-end or to combine with the US requirements and do one larger study for multiple markets.

This past year saw the launch of our convenient single-use Dermadose® presentation with a patented 'twist and break' cap. We have launched three existing products and one new

product in this format and are investigating other possible introductions where the ability to accurately define dosage units is a key advantage.

We have advanced a preclinical formulation product to extend the anti-scar Kelo-cote® range, which employs the same spray-on patch technology as used in our Terbinafine programme.

Developing the Flamma Franchise
Due to recruit concurrently with an ongoing French academic study, Sinclair IS will sponsor a new trial at centres in Eastern Europe to reposition Flammacerium® for the reduction of amputation rates in severe ischemic ulcer patients. Serious ischemic ulcers are notoriously hard-to-treat, but encouraged by positive retrospective data we believe the indication may present a major opportunity for Sinclair IS.

We are currently working on the necessary tests and stability required to certify our new CE marked Flamma Dermadose product which is based on a hydrocolloid gel for use on minor domestic burns. This will be the second product to extend the 'Flamma' (Flammazine® & Flammacerium®) burns brand. The Sunburn treatment FlammaSpray™ was launched in April, and has been well received most notably in Spain.

Exploiting delmopinol anti-biofilm technology
Delmopinol, the active ingredient in oral care rinse Decapinol® & Perioshield® was identified as an important yet under-utilised proprietary asset in early 2010. Subsequently work has progressed on a range of new in-house projects and external collaborations to exploit this anti-biofilm technology. Bacterial biofilms are believed to be the dominant form of bacterial colonisation in the majority of human-infecting pathogens and can be notoriously resistant to antibiotics.

We are working on a completely novel anti-biofilm approach to acne treatment, PapuDuo™ which combines Papulex® with delmopinol. Proof of concept studies in man are scheduled to start before the end of 2011. External collaborations include the development of delmopinol based foam dressings in wound care with Advance Medical Solutions plc, and delmopinol-coated chews for dental health and reduction of halitosis in companion animals with a leading US veterinary products company. Other early stage projects include delmopinol catheters, hydrogel sheets and a possible application in cystic fibrosis.

Development Focus
Early cessation of non-viable projects for technical or commercial reasons is critical to maximising returns from in-house development and refocusing resources to the most viable projects. For example, during FY11 we withdrew the Sinlice brand and terminated related projects. In oral care, the delmopinol-coated dental implants project progressed well in proof of concept, but was deemed to offer an insufficient likely financial return given development costs and was also therefore terminated.

Chris Spooner
Chief Executive Officer

Christophe Foucher
Chief Operating Officer

FINANCIAL REVIEW

The year ended 30 June 2011 ("FY11") was highlighted by two major events, the fundraising completed in October 2010 and the merger with IS Pharma Plc, which completed in May 2011. The fundraising which was undertaken against a backdrop of difficult market conditions raised £19.0m, and was priced at a premium to the prevailing share price at the time, demonstrated significant support from investors for the Group's new strategy, and enabled us to pay down the £12.0m Bracken debt facility and acquire new products. The merger with IS Pharma Plc has added a UK presence to complete our infrastructure across the five main EU markets, added products in critical care and oncology supportive care and strengthened the balance sheet.

Revenue

Group revenues increased by 19% to £32.9m and included a £1.1m contribution from the IS Pharma business in the period from 20 May to 30 June. Like-for-like revenues (excluding product acquisitions and disposals, one-off licence income and currency fluctuations) grew by 10% for the full year as a result of selected product launches, focussed marketing investments and expanded geographic reach from new partnership agreements. The full year revenue includes initial deliveries to Invida in Asia and Sunstar Americas in the US following the deals signed in December 2010. Flammazine and Flammacerium, acquired from Solvay in December 2009 contributed revenues of £8.6m in their first full year of ownership, compared to £4.2m in FY10.

Licence fees contributed just £0.2m to revenues compared to £1.0m in FY10 as a result of the strategic decision to focus on long term revenue and margin improvement at the expense of upfront licence fees.

Margins

Gross margin (excluding licence fee income) of 57.0% has reduced from 60.8% in FY10 as previously guided. This is due to the full year impact of lower margin Flammazine revenues.

Operating expenses

Selling, marketing and distribution costs increased to £11.5m from £9.7m as resources have been focussed on supporting key products such as Flammazine, Atopiclair and Kelo-cote. Administrative expenses before exceptional items, increased by £0.9m to £12.1m, driven by an increase in research and development and regulatory costs. Administrative expenses include amortisation charges of £3.1m (FY10: £2.9m) against product and IP rights acquired in the current and prior years.

Exceptional items

Exceptional charges of £6.0m (2010: £13.3m) have been incurred in the year:

- Acquisition expenses of £1.4m incurred on the merger with IS Pharma Plc.
- Net restructuring costs of £2.4m include severance costs associated with former directors of IS Pharma Plc and contract termination fees incurred as a result of the restructuring of the Group's supply chain and distributor network during the year. A credit of £0.5m is included from the final settlement of severance agreements with former directors which were finalised in December 2010.
- Impairment charge of £0.7m against product distribution rights.
- Legal provision of £0.6m against certain claims.
- Early settlement costs of £0.9m on the Bracken facility, see below.

Further details of these charges are set out in note 3.

Financing costs and taxation
Financing costs increased to £1.9m from £1.4m but included one-off early settlement costs relating to the Bracken facility of £0.9m. Also included are costs of £0.3m from the IS Pharma group arising from the new Clydesdale Bank facility and foreign exchange losses recorded against Euro denominated liabilities.

A small tax credit of £0.1m arises on the movement in deferred tax assets for the year.

Liquidity and capital resources
Following completion of the merger with IS Pharma, bank debt of £4.5m held by IS Pharma was refinanced through a new £16.0m facility from Clydesdale bank. An initial drawdown of £7.0m was made against this facility, leaving £8.0m to fund future acquisitions and a £1.0m revolving credit facility. At 30 June 2011, the Group held cash and cash equivalents of £5.1m and had further cash on restricted deposits of £5.2m (treated as other financial assets on the balance sheet). Total financial borrowings were £10.0m leaving the Group with net funds of £0.3m. Restricted cash deposits will be released back into cash as overseas bank debt and certain other financial liabilities are settled.

Other financial liabilities include deferred acquisition payments inherited with IS Pharma and relate to the purchase of Helsinn Birex Therapeutics Limited (£1.4m), completed in January 2011, and minimum royalty payments due on sales of Variquel/Haemopressin (£4.8m).

Alan Olby
Chief Financial Officer

Unaudited Consolidated Income Statement
For the year ended 30 June 2011

	Notes	Unaudited 2011 Pre-exceptional items £'000	Unaudited 2011 Exceptional items (note 3) £'000	Unaudited 2011 Total £'000	Audited 2010 Pre-exceptional items £'000	Audited 2010 Exceptional items (note 3) £'000	Audited 2010 Total £'000
Revenue	2	**32,897**	**-**	**32,897**	27,628	-	27,628
Cost of sales		**(14,108)**	**-**	**(14,108)**	(10,434)	-	(10,434)
Gross profit		**18,789**	**-**	**18,789**	17,194	-	17,194
Selling, marketing and distribution costs		**(11,543)**	**-**	**(11,543)**	(9,724)	-	(9,724)
Administrative expenses	3	**(12,077)**	**(5,057)**	**(17,134)**	(11,177)	(13,318)	(24,495)
Operating loss		**(4,831)**	**(5,057)**	**(9,888)**	(3,707)	(13,318)	(17,025)
Finance income	4	**16**	**-**	**16**	69	-	69
Finance costs	4	**(946)**	**(924)**	**(1,870)**	(1,397)	-	(1,397)
Loss before taxation		**(5,761)**	**(5,981)**	**(11,742)**	(5,035)	(13,318)	(18,353)
Taxation	5	**76**	**-**	**76**	725	-	725
Loss for the year		**(5,685)**	**(5,981)**	**(11,666)**	(4,310)	(13,318)	(17,628)
Loss per share (basic and diluted)	6	**(2.5p)**	**(2.6p)**	**(5.1p)**	(3.3p)	(10.2p)	(13.5p)

Unaudited Statement of Comprehensive Income
For the year ended 30 June 2011

	Unaudited 2011 Pre-exceptional items £'000	Unaudited 2011 Exceptional items (note 3) £'000	Unaudited 2011 Total £'000	Audited 2010 Pre-exceptional items £'000	Audited 2010 Exceptional items (note 3) £'000	Audited 2010 Total £'000
Loss for the year	**(5,685)**	**(5,981)**	**(11,666)**	(4,310)	(13,318)	(17,628)
Other comprehensive income						
Currency translation differences	**5,585**	**-**	**5,585**	(912)	-	(912)
Total comprehensive income for the year	**(100)**	**(5,981)**	**(6,081)**	(5,222)	(13,318)	(18,540)

Unaudited Consolidated Balance Sheet
At 30 June 2011

	Note	Unaudited 2011 £'000	Audited 2010 £'000
Non-current assets			
Goodwill	7	**61,897**	49,645
Intangible assets	8	**61,715**	25,144
Property, plant and equipment		**2,115**	1,317
Deferred tax assets		**4,511**	2,004
Other non-current assets		**2,040**	209
Assets held for sale		**-**	426
		132,278	78,745
Current assets			
Inventories		**9,586**	4,775
Trade and other receivables	9	**15,261**	9,986
Current tax receivable		**7**	24
Other current financial assets		**3,411**	-
Cash and cash equivalents		**5,101**	2,071
		33,366	16,856
Total assets		**165,644**	95,601
Current liabilities			
Financial liabilities – borrowings	11	**(2,838)**	(14,722)
Trade and other payables	10	**(16,170)**	(10,980)
Other financial liabilities	12	**(4,290)**	-
Current tax liabilities		**-**	(7)
Provisions		**(409)**	(572)
		(23,707)	(26,281)
Non-current liabilities			
Financial liabilities – borrowings	11	**(7,147)**	(2,553)
Other long term financial liabilities	12	**(2,556)**	-
Deferred tax liabilities		**(7,510)**	-
Other non-current liabilities		**(480)**	(294)
Provisions		**(331)**	(98)
		(18,024)	(2,945)
Total liabilities		**(41,731)**	(29,226)
Net assets		**123,913**	66,375
Equity			
Share capital		**3,809**	1,622
Share premium account		**58,788**	39,500
Merger reserve		**92,424**	50,474
Other reserves		**10,539**	4,954
Retained deficit		**(41,647)**	(30,175)
Total shareholders' equity		**123,913**	66,375

Unaudited Consolidated Statement of Changes in Shareholders' Equity
For the year ended 30 June 2011

	Share capital	Share premium	Merger reserve	Other reserves	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2009 (audited)	**1,033**	**23,131**	**50,474**	**6,528**	**(13,808)**	**67,358**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(912)	-	(912)
Loss for the year	-	-	-	-	(17,628)	(17,628)
Total comprehensive income for the year	-	-	-	(912)	(17,628)	(18,540)
Share based payments	-	-	-	-	549	549
Options and warrants exercised	11	19	-	(662)	712	80
Share capital issued	578	17,900	-	-	-	18,478
Share issue expenses	-	(1,550)	-	-	-	(1,550)
Balance at 30 June 2010 (audited)	**1,622**	**39,500**	**50,474**	**4,954**	**(30,175)**	**66,375**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	5,585	-	5,585
Loss for the year	-	-	-	-	(11,666)	(11,666)
Total comprehensive income for the year	-	-	-	5,585	(11,666)	(6,081)
Share based payments	-	-	-	-	(200)	(200)
Options and warrants exercised	18	-	-	-	-	18
Share capital issued - Fundraising	679	18,321	-	-	-	19,000
Share capital issued - Acquisition (note 14)	1,399	-	41,950	-	-	43,349
Share capital issued - Loan note conversion	91	2,209	-	-	-	2,300
Repayment of ESOT loan	-	-	-	-	394	394
Share issue expenses	-	(1,242)	-	-	-	(1,242)
Balance at 30 June 2011 (unaudited)	**3,809**	**58,788**	**92,424**	**10,539**	**(41,647)**	**123,913**

Unaudited Consolidated Cash Flow Statement
For the year ended 30 June 2011

	Note	**Unaudited 2011 £'000**	Audited 2010 £'000
Cash flows from operating activities			
Net cash outflow from operations	13	**(8,462)**	(5,056)
Interest paid		**(1,294)**	(1,525)
Interest paid on finance leases		**-**	(12)
Taxation paid		**-**	(149)
Net cash used in operating activities		**(9,756)**	(6,742)
Investing activities			
Interest received		**16**	66
Purchases of property, plant and equipment		**(865)**	(245)
Acquisition of subsidiary undertakings, net of cash acquired		**11,979**	-
Proceeds from sale of property, plant and equipment		**-**	1
Purchase of intangible assets		**(1,392)**	(17,667)
Net cash generated from/(used in) investing activities		**9,738**	(17,845)
Financing activities			
Repayments of obligations under finance leases		**(26)**	(65)
Proceeds from borrowings net of issue costs		**7,894**	15,593
Repayments of borrowings		**(17,932)**	(4,591)
Proceeds from issue of share capital		**19,018**	18,558
Proceeds from repayment of loan ESOT		**395**	-
Net transfer of cash to restricted deposits held as other financial assets		**(5,210)**	-
Share issue costs		**(1,254)**	(1,510)
Net cash generated from financing activities		**2,885**	27,985
Net increase in cash, cash equivalents and bank overdrafts		**2,867**	3,398
Cash, cash equivalents and bank overdrafts at 1 July		**1,850**	(1,597)
Exchange gains on cash and bank overdrafts		**67**	49
Cash, cash equivalents and bank overdrafts at end of year		**4,784**	1,850
Cash, cash equivalents and bank overdrafts includes:			
Cash and cash equivalents		**5,101**	2,071
Bank overdrafts		**(317)**	(221)
Cash, cash equivalents and bank overdrafts		**4,784**	1,850

1. Basis of preparation

The preliminary financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted for use in the European Union and with Companies Act 2006 applicable to Companies reporting under IFRS. 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 2010 and which will be used in preparing the financial statements for the year ended 30 June 2011. 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 2011 and have been applied by the Group, but have had no impact.

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

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 2010 has been extracted from the Group's financial statements for the year ended 30 June 2010. The auditors' report on the financial statements for the year ended 30 June 2010 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 2010 have been delivered to the Registrar of Companies.

The preliminary financial information has been prepared on the going concern basis, under the historical cost convention as modified to fair value for certain financial assets and liabilities.

This preliminary financial information was approved by the Board of Sinclair IS Pharma plc on 21 September 2011.

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. The Company acquired IS Pharma on 20 May, the trading and net assets of which are included under 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 2011				Audited 2010			
Business Segments	**International operations**	**Country operations**	**Other**	**Total**	International operations	Country operations	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Revenue	**10,555**	**22,217**	**125**	**32,897**	11,850	15,623	155	27,628
Cost of goods sold	**(5,194)**	**(8,914)**	**-**	**(14,108)**	(5,849)	(4,585)	-	(10,434)
Gross profit	**5,361**	**13,303**	**125**	**18,789**	6,001	11,038	155	17,194
EBITDA	**2,641**	**614**	**(4,617)**	**(1,362)**	4,174	(795)	(3,892)	(513)

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 2011 £'000	Audited 2010 £'000
EBITDA for reportable segments	**(1,362)**	(447)
Depreciation	**(310)**	(335)
Amortisation	**(3,064)**	(2,859)
Exceptional items	**(5,057)**	(13,318)
Share based payments	**(95)**	(66)
Operating loss before tax	**(9,888)**	(17,025)

Revenue analysis

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

	Unaudited 2011 £'000	Audited 2010 £'000
Product revenue	**31,508**	25,822
Royalties	**1,229**	819
Licence fees and milestones	**160**	987
	32,897	27,628

3. Exceptional items

Exceptional items represent significant items of income and expense which due to their nature, size or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

	Unaudited	Audited
	2011	2010
	£'000	£'000
Acquisition costs	**(1,395)**	-
Restructuring costs	**(2,390)**	(2,737)
Impairment charges	**(669)**	(8,470)
Legal claims	**(603)**	(175)
Inventory provision	**-**	(772)
Provision for doubtful debts	**-**	(126)
Early settlement expenses on Bracken facility	**(924)**	-
Foreign exchange (losses)/gains	**-**	(1,038)
	(5,981)	(13,318)

Acquisition costs include legal and professional expenses incurred in relation to the acquisition of IS Pharma plc which was completed in May 2011.

Restructuring costs of £2,584,000 (2010: £2,737,000) include redundancy packages paid to former directors of IS Pharma plc and other employees following the acquisition, as well as contract termination fees paid during the year as part of the group's on-going restructuring. Restructuring costs in the prior year included: 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 contracts had been terminated. Included within restructuring costs in 2011 is a net credit of £477,000 arising from the final settlement of disputes with former directors' resulting in reduced costs and the release of provisions charged in 2010.

Impairment charges of £669,000 have been made to product distribution rights included within intangible assets and acquired as part of a non-cash asset swap arrangement in prior years which the group is no longer marketing or selling. In the prior year impairment charges of £8,470,000 were 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 which were written down to their recoverable amount and subsequently sold in July 2010. A re-assessment of the market potential of the technologies acquired though certain non-cash asset swap arrangements together with a review of the Group's R&D strategy led to the decision not to continue development of the underlying products, in particular the zinc technology and silver nanotechnology. These are non-cash charges.

In the current year provisions totalling £603,000 have been made to cover various legal claims received by the Group. In the year ended 30 June 2010, a claim for damages was received from the distributor of a product, as a result of the manufacturing delays and a provision was therefore made in respect of this claim of £175,000.

The inventory provision in the prior year 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.

In the prior year, a provision of £126,000 was made for a doubtful debt due from one distributor. Movements on other doubtful debt provisions are included within administrative expenses.

Foreign exchange losses in the prior year of £1,038,000 represent the loss on the translation of an intra-group loan balance. This is a non-cash item, and the retranslation has been posted through reserves for the current year

as the loan has been reclassified as a long term investment, following restructuring of this arrangement in June 2010.

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

4. Finance income and costs

	Unaudited 2011 £'000	Audited 2010 £'000
Finance costs		
Interest on bank loans and overdrafts	**(291)**	(327)
Interest on other borrowings	**(377)**	(601)
Interest due on finance leases	**-**	(5)
Net foreign exchange losses on financing activities	**(199)**	(100)
Share based payments – warrants issued to finance providers	**-**	(140)
Early settlement expense on Bracken facility (note 3)	**(924)**	-
Other finance charges	**(79)**	(224)
Finance costs	**(1,870)**	(1,397)
Finance income		
Bank interest receivable	**16**	7
Interest receivable on trade receivables	**-**	62
Finance income	**16**	69
Net finance expense	**(1,854)**	(1,328)

5. Taxation

	Unaudited 2011 £'000	Audited 2010 £'000
Research and development tax credits receivable	**-**	26
Overseas tax	**-**	(78)
Deferred overseas tax	**76**	777
Tax credit on loss before tax	**76**	725

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 2011, as the exercise of share options and warrants would have the effect of reducing the loss per share and therefore is not dilutive.

	Unaudited 2011	Audited 2010
Loss attributable to equity shareholders (£'000)	**(11,666)**	(17,628)
Weighted average number of shares	**230,011,876**	130,891,546

Diluted weighted average number of shares	**230,011,876**	130,891,546
Basic and diluted loss per share (pence)	**(5.1p)**	(13.5p)

7. Goodwill

	Unaudited 2011 £'000	Audited 2010 £'000
Cost		
At 1 July	**52,524**	53,941
Additions (note 14)	**8,607**	-
Exchange adjustments	**3,645**	(1,417)
At 30 June	**64,776**	52,524
Accumulated amortisation and impairment		
At 1 July and 30 June	**2,879**	2,879
Net book value at year end	**61,897**	49,645

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.

Additions in the year comprise principally the excess of consideration paid for IS Pharma over the fair value of the assets acquired.

8. Intangible Assets

	Unaudited 2011 £'000	Audited 2010 £'000
Cost		
At 1 July	**39,476**	25,793
Additions	**2,092**	17,256
Additions arising on business combination (note 14)	**37,039**	-
Disposals	**(322)**	(43)
Assets reclassified as held for sale	**-**	(2,778)
Exchange adjustments	**2,019**	(752)
At 30 June	**80,304**	39,476
Amortisation and impairment		
At 1 July	**14,332**	6,085
Charge for the year	**3,064**	2,859
Disposals	**(164)**	(41)
Impairment charge (note 3)	**669**	8,111
Assets reclassified as held for sale	**-**	(2,491)
Exchange adjustments	**688**	(191)
At 30 June	**18,589**	14,332
Net book value at year end	**61,715**	25,144

Additions in the year comprise of the acquisition of products rights for Kelocote for Germany, UK, France, Italy and Spain and license fees paid for the Terbinafine spray technology.

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.

The additions arising on business combinations relate to the acquisitions of IS Pharma and Cranage Healthcare (note 14).

9. Trade and other receivables

	Unaudited 2011 £'000	Audited 2010 £'000
Trade receivables	**12,769**	9,690
Less provision for impairment of trade receivables	**(193)**	(1,541)
Trade receivables net of provision	**12,576**	8,149
Other receivables	**1,382**	854
Prepayments and accrued income	**1,303**	983
	15,261	9,986

10. Trade and other payables

	Unaudited 2011 £'000	Audited 2010 £'000
Trade payables	**8,580**	6,065
Other taxes and social security costs	**1,477**	713
Other payables	**1,483**	999
Accruals and deferred income	**4,630**	3,203
	16,170	10,980

11. Borrowings

	Unaudited 2011 £'000	Audited 2010 £'000
Bank loans	**7,130**	2,536
Obligations under finance leases	**17**	17
Non-current borrowings	**7,147**	2,553
Obligations under finance leases	**17**	41
Bank loans	**2,504**	1,178
Bank overdrafts	**317**	221
Other borrowings	**-**	13,282
Current borrowings	**2,838**	14,722
Total borrowings	**9,985**	17,275
Borrowings included above are repayable as follows:		
On demand or within one year	**2,838**	14,722
Over one and under two years	**2,330**	1,183
Over two and under five years	**4,817**	1,370
Total borrowings	**9,985**	17,275

Bank loans comprise a term loan facility with Clydesdale bank of which £7.0m has been drawn in May 2011. The total facility is for £16.0m (including £1.0m revolving credit facility) and expires on 6 April 2015. Interest is charged at LIBOR plus 2.5%, direct issue costs of £464,000 have been offset against the gross liability. Repayments are scheduled to be made in equal instalments every 6 months. The Group also has several smaller bank loans held in its French subsidiary.

Following the acquisition of IS Pharma, the group repaid existing bank loans, provided to IS Pharma amounting to £4.5m, financed by the £7.0m draw down from Clydesdale bank.

The Bracken facility was repaid during the year and the £2.3m unsecured convertible loan notes converted into equity at a rate 25.2 pence per share which equates to 9,126,984 shares.

12. Other Financial liabilities

	Unaudited 2011 £'000	Audited 2010 £'000
Deferred Consideration	**2,556**	-
Non-current	**2,556**	-
Deferred Consideration	**4,290**	-
Current	**4,290**	-
	6,846	-

Included within other financial liabilities is deferred contingent consideration which represents the fair value of the assumed contractual minimum liabilities of the previous owner of SEPI AG (a Swiss subsidiary acquired by IS Pharma in April 2008) which are payable to the original developers of Haemopressin in annual instalments until 2016 representing royalties payable on future net revenue from Haemopressin. The amount included represents the Directors' estimate of the fair value of the contractual amount payable by 2016 discounted to its present value.

Also included in current and non-current other financial liabilities are deferred contingent consideration liabilities relating to the acquisition of Kelo-cote rights for Germany and the acquisition of Cranage Healthcare.

13. Cash flow from operations

	Unaudited 2011 £'000	Audited 2010 £'000
Loss before tax	**(11,742)**	(18,353)
Adjustments for:		
Finance income	**(16)**	(69)
Finance costs	**1,870**	1,397
Share based payments	**(200)**	409
Depreciation	**310**	335
Amortisation of intangible assets	**3,064**	2,859
Impairment charges (note 3)	**669**	8,470
Profit on sale or disposal of subsidiary company	**-**	(27)
(Decrease)/Increase in provision for doubtful debts	**(92)**	34
Increase in provisions – net of finance costs provision	**29**	216
Exchange losses/(gains)	**281**	1,064
	(5,827)	(3,639)
Changes in working capital		
(Increase) in inventories	**(1,358)**	(1,247)
(Increase) in receivables	**(2,100)**	(625)
Increase in payables	**823**	455
Net cash outflow from operations	**(8,462)**	(5,056)

14. Business Combinations

On 20 May 2011 the Company acquired the entire share capital of IS Pharma plc which subsequently changed its name to IS Pharma limited.

Details of the fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:

	Fair value £'000s
Intangible assets	36,271
Tangible assets	245
Deferred tax asset	2,142
Inventories	2,999
Trade and other receivables	2,724
Cash and cash equivalents	13,490
Trade and other payables	(4,000)
Other financial liabilities	(5,943)
Financial liabilities - borrowings	(4,500)
Deferred Tax liabilities	(7,465)
Net assets acquired	**35,963**
Consideration	
Equity consideration	43,349
Cash consideration	1,135
Total consideration	**44,484**
Total costs less net assets acquired	**8,521**
Goodwill	**8,521**

Purchase consideration settled in cash	**1,135**
Cash and cash equivalents in subsidiary acquired	**(13,490)**
Cash inflow on acquisition	**12,353**

Fair value adjustments in respect of intangible assets were recognised on acquisition due to the recognition of trademarks, marketing agreements and licences which were valued by applying the Royalty Relief Method to the forecast cash flows that were expected to be generated by the assets at the date of acquisition.

The fair value of finished goods was measured at selling price less costs of disposal and selling profit. The fair value of raw materials was measured at the current cost of replacement.

A fair value adjustment to deferred tax recognises the deferred tax liability arising from the recognition of the intangible assets above as measured at the current rates of corporation tax in the UK.

The main factors leading to the recognition of goodwill were:

- The presence of certain intangible assets, such as the value of the assembled work force and non-contractual customer relationships of the acquired entity, which do not qualify for separate recognition; and
- strategic premium: the Sinclair IS Pharma Board believes that the acquisition will establish the Company as a Pan European group with greater ability to attract commercial partners and future funding for investment.

For the year ended 30 June 2011 £1,125,000 of revenue and a loss of £1,038,000 has been included in the consolidated accounts.

If IS Pharma was acquired on the 1 July 2010 then revenue of £17.1m and a loss of £0.63m would have been included in the consolidated accounts.

The group acquired 100% of the issued share capital of Cranage Healthcare Limited on 29 November 2010. The total purchase consideration was £696,000 with £768,000 of intangible assets recognised in respect of marketing agreements and licenses and goodwill arising of £86,000. The trade of Cranage Healthcare was transferred to Sinclair Pharmaceuticals Limited post completion of the transaction.

15. Related party transactions

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