Sinclair IS Pharma plc

Sinclair IS Pharma reports a strong increase in revenues and pre-exceptional EBITDA profit for the six months ended 31 December 2011

London, UK, 23 February 2012 Sinclair IS Pharma plc (SPH.L), ("Sinclair IS" or the "Company") the international specialty pharma company, today announces its half year results for the six months ended 31 December 2011.

Financial Highlights

- **Revenues increased 67% to £23.4million** (H1 11: £14.1m)
- Like-for-like ('LFL')* revenues increased by 9%
- **Pre-exceptional EBITDA profit of £0.7 million** (H1 11: loss of £1.3m)
- **Loss per share reduced to 1.4p** (H1 11: 1.9p)

Operating Highlights

- Portfolio strengthened and focused
    - Sale of Mysoline for £11.1 million completed in November 2011
    - Acquisition of Advanced Bio-Technologies Inc. for £21.3 million
- Strategy to focus on key brands delivering (top five products account for 49% of revenues)
- Strong growth in focus brands
    - Flamma franchise up 5%*to £4.3 million
    - Kelo-cote® sales up 51%* to £0.7 million
    - Atopiclair® sales up 119%*to £0.6 million
    - Bio-Taches® sales up 84%*to £0.7 million
- Invida launched Atopiclair® and Papulex® in eight Asian markets
- Re-launched key products Aloxi®, episil®, Kelo-cote® and Flammacerium® in the UK
- Signed European license agreement with Teva for episil®
- Entered exclusive promotion agreements with Therabel and Norgine in the first half for Xclair® in France and Spain

*Like-for-like excludes product disposals, licence fees and currency fluctuations

Chris Spooner, CEO of Sinclair IS Pharma, commented: "Another busy period which saw the integration of IS Pharma, ABT and the disposal of Mysoline. Despite this, and as budgeted, the Company achieved EBITDA profitability, while our focus on fewer leading brands has helped deliver strong growth, with 9% LFL revenue growth.

We have established a robust platform and are now achieving substantial operational leverage through the acquisition of ABT and launch of further products. The high growth, emerging markets remain a key priority for the Company and we are actively discussing several new commercial opportunities."

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About Sinclair IS Pharma plc – 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.

Overview

Like-for-like ("LFL") revenues (excluding product disposals, licence fees and currency fluctuations) grew by 9% driven by the focus on a smaller number of key brands and the initial launches by Invida across the Asia-Pacific region. This is well above-market growth rates and the Company expects this growth to accelerate for the full year.

Despite continued strong investment in sales, marketing and regulatory affairs, and without the benefit of substantial one-offs, Sinclair IS achieved first half EBITDA profitability of £0.7 million. Due to factory closures in the summer months, sales are weighted towards the second half and the timing of autumn marketing campaigns means that disproportionately higher expenses are incurred during the first half.

Product Focus

A tight focus on products and the creation of a few leading brand families is a key part of the Sinclair IS strategy and has been a major contributor to the Company's growth rate. In the past two years, our top five products have increased from 29% to 49% of revenues, while the growth rate of the five leading products has accelerated from 5% to 23% per annum. This improvement has predominantly been derived in Europe and we believe is a direct result of our focused sales and marketing strategy. Sinclair IS does not market to GPs, but focuses resources on dermatologists, hospitals and pharmacies. Our strategy has been to focus on brands which cover two or three of these channels, including the Flamma and Kelo-cote® product families, which are marketed to all three, and Atopiclair® which is marketed to both dermatologists and pharmacies.

The Company has made progress in its strategy to increase the proportion of sales where we or our partners can set our own product prices, which mitigates the threat of price reductions, especially in southern Europe. We estimate we currently have pricing power over approximately one third of Group revenue and that this proportion is trending upwards. Last year we delisted Flammazine® from Spanish reimbursement and have successfully re-launched an OTC version with a substantial price increase. Sales have remained strong, due to the strength of the brand.

We intend to focus the business further through targeted sales and marketing investment, product development and product acquisitions, and by the careful disposal of non-core products. During the past two years, Sinclair IS has improved the performance of the Flammazine® range from a 5% decline in 2009 to 5% growth in the last six months (+17% excluding the Algerian drug import ban). Similarly, through a combination of product launches and focused marketing, Kelo-cote® is now growing at 51% LFL in our Country operations and following the acquisition of Advanced Bio-Technologies Inc. ("ABT") is now the Company's second largest brand.

Corporate

During the first half the Company made substantial corporate progress, successfully completing the integration of IS Pharma, disposing of Mysoline and acquiring and rapidly integrating ABT. Total cost savings from the integration of IS Pharma achieved the budgeted £1.0 million, with a proportion reinvested in UK commercial operations.

As announced in the 2011 full year results, the majority of the integration of IS Pharma plc was achieved within two months of completion in late May. Importantly the acquisition has allowed a

fundamental reorganisation of the Group's supply side activities and the former head office of IS Pharma in Chester now serves as the Group's technical centre. This move has already created several efficiency savings and the Company expects to benefit from further supply side synergies in the future.

UK commercial operations were comprehensively restructured following the merger with IS Pharma and have seen the largest incremental investment in sales and marketing among our business units. Now based in London, the Company has appointed several new senior employees, including a new head of UK and head of sales, as well as new marketing and sales personnel. The Company believes that the UK oncology supportive care products, and notably Aloxi®, are particularly strong in both clinical benefit and international brand awareness, and with improved support could provide a considerable source of future growth.

The disposal of Mysoline, the Company's non-core anti-epileptic/anti-tremor drug, for £11.1 million facilitated the acquisition of the anti-scar brand, Kelo-cote® via the £21.3 million acquisition of ABT. This ABT acquisition is immediately earnings accretive. Mysoline is a European off-patent £1.7 million EBITDA product with declining revenues sold for 6.5x current year EBITDA. Kelo-cote® is a patented global brand, growing at 20% (excluding Sinclair IS revenues) and was acquired for 6x the equivalent EBITDA multiple. There are also clear opportunities to launch Kelo-cote® into new markets, leverage the trademark and develop line-extensions, including Kelo-cote Stretchmarks™, which we expect to launch in first markets by mid-2012.

We believe the ultimate strategic value of the Kelo-cote® acquisition lies in the product's brand presence within the dermatology industry and its established and growing presence in several fast-growing markets including Brazil, Mexico, South Korea and China, where it generates approximately £2.4 million combined annual revenues. These markets are important territories for the Company and we expect to sign our first multi-product LATAM partnership this year.

Sinclair IS continues to manage a fully integrated operation with all major functions managed in-house. As a consequence there has been substantial operational leverage from recent acquisitions. The Board believes that the organisation is well placed to manage and benefit from further relevant licensing and acquisition opportunities provided stringent financial criteria are met and we continue to look for suitable opportunities that will complement our existing operations.

Operations review

Revenue growth has been driven by international operations which achieved 41% LFL growth in the first half on the back of multiple launches of Atopiclair® and Papulex® by Invida and a strong performance by Sebclair® in the US. Country operations revenues were flat overall on a LFL basis, held back by de-stocking particularly in Italy, and a short term supply problem on Aloclair® which delayed deliveries into early 2012. Our Spanish operation performed strongly (+41% LFL) following the launch of de-reimbursed Flammazine®, and Germany also performed well aided by strong Haemopressin sales (+17% LFL). Revenues in France were flat on a LFL basis and in the UK declined by 8% where de-stocking was also seen.

Revenues from the Flamma franchise increased to £4.3 million in the period, +17% LFL (excluding Algeria where sales were impacted by the import ban on certain pharma products). Kelo-cote® sales were £0.7 million for the period, +51% LFL as the product gained momentum from the European launches in early 2011. Atopiclair® (sales of £0.6 million and +119% LFL) and Bio-Taches® (sales of £0.7 million and +84% LFL) also performed strongly in the period.

During the first half, Invida, the Company's partner for the Asia Pacific region, successfully launched two of Sinclair IS's leading dermatology brands; Atopiclair® for atopic dermatitis, and Papulex® for acne. Both of these products are now present in eight markets across the Asia-Pacific region. Invida has seen increasing demand for these products and initial sales have been encouraging. Invida will launch these products into other territories in the region during the second half.

The merger with IS Pharma in May 2011 gave Sinclair IS access to the UK market. During the first half of the year the UK operation has been restructured and is now the Group's second largest country operation after France. Key products in supportive care, such as Aloxi® and episil®, have been re-launched, as well as wound care products, such as Kelo-cote® and Flammacerium®. In October, Sinclair IS extended its exclusive agreement with Fannin to the sales and marketing of its products in the Republic of Ireland. Fannin also promotes a number of the Company's products in Northern Ireland.

In August, Sinclair IS announced a license agreement with Teva for the exclusive commercialisation of episil®, our oncology supportive care product, in Germany, Spain, Poland, Switzerland and the Czech Republic. Teva launched episil® in the final quarter of 2011.

In-line with the Group's strategy to complement its proprietary sales infrastructure with selected co-promotion partners, Sinclair IS entered into exclusive promotion agreements with Therabel and Norgine in the first half, to market and commercialise Xclair®, the Group's treatment for radiation dermatitis, in France and Spain respectively.

As part of the Company's ambition to leverage its Delmopinol IP, an Option and Licensing Agreement was signed with Advanced Medical Solutions Group plc ("AMS") in August. AMS has the right to exclusively licence Delmopinol for worldwide use in the development of new foam-based advanced woundcare dressings.

Financial Review

Revenue for the first half increased by 67% to £23.4 million (H1 11: £14.1 million), and the Group has achieved its first profitable period at the EBITDA level with pre-exceptional EBITDA of £0.7 million (H1 11: EBITDA loss of £1.3 million). These strong results reflect the benefits of the IS Pharma merger, which completed in May 2011. ABT made no meaningful contribution in the period as the acquisition only completed on 15 December 2011.

Selling, marketing and distribution costs increased 46% to £7.8 million (H1 11: £5.3 million) as a result of the strategy to increase investment in our key brands, and from the costs of the new UK operation incorporated from the IS Pharma merger. Sinclair IS will continue to invest in sales and marketing to continue to grow sales of our key brands.

Pre-exceptional administrative expenses increased 48% from £5.5 million to £8.1 million although underlying costs remained unchanged from last year. The increases were as a result of the merger with IS Pharma (£1.1 million); an increase in non-cash amortisation and share based payment charges of £1.3 million; and increased foreign exchange losses of £0.2 million due to the weakening in the Euro during the period.

Exceptional charges totalled £2.6 million and included: acquisition costs of Advanced Bio-Technologies Inc. of £0.6 million; restructuring expenses of £1.8 million arising on post-merger integration costs with IS Pharma, and costs of restructuring the Irish operation following the deal with Fannin; £0.2 million profit on disposal of Mysoline; and a £0.4 million pass through cost of

goods charge for the fair value uplift in inventories taken on at the time of the IS Pharma merger, which is a non-cash charge.

Sinclair IS had cash and cash equivalents of £4.4 million at 31 December 2011, as well as £3.2 million of restricted cash deposits. Net financial debt was £7.3 million taking into account the Clydesdale Bank facility and other bank debt. Net debt including deferred consideration liabilities was £12.2 million. Borrowings increased by £6.5 million in December in order to part fund the purchase of Advanced Bio-Technologies Inc.

Summary and Outlook

In the past 18 months the Company has established a robust infrastructure, which is already delivering operational leverage following the merger with IS Pharma and the ABT acquisition. There now exists a solid platform to maximise future growth opportunities.

Despite the difficult European economic backdrop, the underlying improvement in the Company's operational performance has been significant. Exposure to fast growth markets is key to the strategy and provides confidence that growth in revenues will be strong and sustainable for several years. Indeed, beyond the next financial year we expect to enjoy the benefits of greater operating leverage as incremental sales and marketing spend moderates.

Unaudited Consolidated Income Statement
For the six months ended 31 December 2011

	Notes	Unaudited Six months ended 31 December 2011 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000	Unaudited Six months ended 31 December 2010 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000
Revenue	4	**23,399**	**-**	**23,399**	14,051	-	14,051
Cost of sales		**(9,797)**	**(442)**	**(10,239)**	(6,206)	-	(6,206)
Gross profit		**13,602**	**(442)**	**13,160**	7,845	-	7,845
Selling, marketing and distribution costs		**(7,809)**	**-**	**(7,809)**	(5,349)	-	(5,349)
Administrative expenses		**(8,147)**	**(2,207)**	**(10,354)**	(5,507)	429	(5,078)
Operating loss		**(2,354)**	**(2,649)**	**(5,003)**	(3,011)	429	(2,582)
Finance income	6	**6**	**-**	**6**	2	-	2
Finance costs	6	**(562)**	**-**	**(562)**	(514)	(924)	(1,438)
Loss before taxation		**(2,910)**	**(2,649)**	**(5,559)**	(3,523)	(495)	(4,018)
Taxation		**359**	**-**	**359**	402	-	402
Loss for the period		**(2,551)**	**(2,649)**	**(5,200)**	(3,121)	(495)	(3,616)
Loss per share (basic and diluted)	7	**(0.7)p**	**(0.7)p**	**(1.4)p**	(1.6)p	(0.3)p	(1.9)p

Unaudited Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2011

	Unaudited Six months ended 31 December 2011 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000	Unaudited Six months ended 31 December 2010 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000
Loss for the period	**(2,551)**	**(2,649)**	**(5,200)**	(3,121)	(495)	(3,616)
Other comprehensive income						
Currency translation differences	**(4,601)**	**-**	**(4,601)**	2,238	-	2,238
Total comprehensive income for the period	**(7,152)**	**(2,649)**	**(9,801)**	(883)	(495)	(1,378)

The notes on pages 11 to 19 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Balance Sheet

As at 31 December 2011

	Notes	**31 December 2011** £'000	31 December 2010 £'000	30 June 2011 £'000
Non-current assets				
Goodwill	8	**58,961**	51,370	61,897
Intangible assets	9	**67,841**	26,506	61,715
Property, plant and equipment		**2,271**	1,702	2,115
Deferred tax assets		**4,809**	2,499	4,417
Other financial assets	10	**1,573**	209	2,040
		135,455	82,286	132,184
Current assets				
Inventories		**8,670**	5,861	9,586
Trade and other receivables	11	**12,968**	10,261	15,268
Other financial assets	10	**1,794**	-	3,411
Cash and cash equivalents		**4,430**	3,582	5,101
		27,862	19,704	33,366
Total assets		**163,317**	101,990	165,550
Current liabilities				
Borrowings	13	**(3,814)**	(1,304)	(2,838)
Trade and other payables	12	**(15,011)**	(12,118)	(16,170)
Other financial liabilities	14	**(2,401)**	-	(4,290)
Current tax liabilities		**(341)**	-	-
Provisions		**(480)**	(105)	(409)
		(22,047)	(13,527)	(23,707)
Non-current liabilities				
Borrowings	13	**(11,114)**	(4,643)	(7,147)
Other financial liabilities	14	**(2,541)**	(680)	(2,556)
Deferred tax liabilities		**(7,191)**	-	(7,416)
Other non-current liabilities		**(368)**	-	(480)
Provisions		**(688)**	(270)	(331)
		(21,902)	(5,593)	(17,930)
Total liabilities		**(43,949)**	(19,120)	(41,637)
Net assets		**119,368**	82,870	123,913
Equity				
Share capital		**4,008**	2,319	3,809
Share premium account		**58,752**	56,575	58,788
Merger reserve		**96,773**	50,474	92,424
Other reserves		**5,938**	7,192	10,539
Retained deficit		**(46,103)**	(33,690)	(41,647)
Total equity		**119,368**	82,870	123,913

The notes on pages 11 to 19 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Statement of Changes in Shareholders' Equity
For the six months ended 31 December 2011

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained deficit £'000	Total equity £'000
Balance at 30 June 2010 (audited)	**1,622**	**39,500**	**50,474**	**4,954**	**(30,175)**	**66,375**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	2,238	-	2,238
Loss for the period	-	-	-	-	(3,616)	(3,616)
Total recognised income/(expense) for the period	-	-	-	2,238	(3,616)	(1,378)
Share based payments	-	-	-	-	(294)	(294)
Options and warrants exercised	18	-	-	-	-	18
Share capital issued – Fundraising	679	18,321	-	-	-	19,000
Repayment of ESOT Loan	-	-	-	-	395	395
Share issue expenses	-	(1,246)	-	-	-	(1,246)
Balance at 31 December 2010 (unaudited)	**2,319**	**56,575**	**50,474**	**7,192**	**(33,690)**	**82,870**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	3,347	-	3,347
Loss for the period	-	-	-	-	(8,050)	(8,050)
Total recognised income/(expense) for the period	-	-	-	3,347	(8,050)	(4,703)
Share based payments	-	-	-	-	93	93
Share capital issued – Acquisition	1,398	-	41,950	-	-	43,348
Share capital issued – Loan note conversion	92	2,209	-	-	-	2,301
Share issue expenses	-	4	-	-	-	4
Balance at 30 June 2011 (audited)	**3,809**	**58,788**	**92,424**	**10,539**	**(41,647)**	**123,913**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(4,601)	-	(4,601)
Loss for the period	-	-	-	-	(5,200)	(5,200)
Total recognised expense for the period	-	-	-	(4,601)	(5,200)	(9,801)
Share based payments	-	-	-	-	744	744
hare issue expenses	-	(36)	-	-	-	(36)
Share capital issued - Acquisition	199	-	4,349	-	-	4,548
Balance at 31 December 2011 (unaudited)	**4,008**	**58,752**	**96,773**	**5,938**	**(46,103)**	**119,368**

The notes on pages 11 to 19 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Statement of Cash Flows
For the six months ended 31 December 2011

	Notes	**Six months ended 31 December 2011** £'000	Six months ended 31 December 2010 £'000
Net cash outflow from operations	15	**(38)**	(1,474)
Interest paid		**(482)**	(1,032)
Interest paid on finance leases		**(2)**	(2)
Taxation repaid		**437**	-
Net cash used in operating activities		**(85)**	(2,508)
Investing activities			
Interest received		**6**	1
Purchases of property, plant and equipment		**(245)**	(522)
Purchase of intangible assets		**(509)**	(1,387)
Proceeds from the sale of intangible assets		**11,075**	-
Payment of deferred consideration		**(1,284)**	-
Purchase of subsidiary undertaking, net of cash acquired	16	**(16,688)**	(367)
Net cash used in investing activities		**(7,645)**	(2,275)
Financing activities			
Repayments of obligations under finance leases		**(7)**	(8)
Proceeds from borrowings		**6,500**	1,127
Repayments of borrowings		**(1,218)**	(12,959)
Proceeds from issue of share capital		**-**	19,018
Proceeds from repayment of loan to ESOT		**-**	395
Release from restricted deposits held as other financial assets		**1,972**	-
Share issue expenses		**-**	(1,246)
Net cash from financing activities		**7,247**	6,327
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts		**(483)**	1,544
Cash, cash equivalents and bank overdrafts at 1 July		**4,784**	1,850
Exchange gains on cash and bank overdrafts		**-**	30
Cash, cash equivalents and bank overdrafts at end of period		**4,301**	3,424
Cash, cash equivalents and bank overdrafts includes:			
Cash and cash equivalents		**4,430**	3,582
Bank overdrafts		**(129)**	(158)
Cash, cash equivalents and bank overdrafts		**4,301**	3,424

The notes on pages 11 to 19 form an integral part of this condensed consolidated half-yearly financial information.

Notes to the unaudited condensed consolidated half-yearly financial information

1. General Information

The Company is a public limited company which is listed on the AIM market of the London Stock Exchange, and Euronext, Paris and is incorporated and domiciled in the United Kingdom. The address of its registered office is Whitfield Court, 30-32 Whitfield Street, London, W1T 2RQ.

This condensed consolidated half-yearly financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2011 were approved by the board of directors on 17 November 2011 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, and did not contain any statement under Section 498 of the Companies Act 2006.

This condensed consolidated half-yearly financial information was approved for issue on 22 February 2012.

2. Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 31 December 2011 has been prepared in accordance with the Disclosures and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union as if the Company were listed on a market regulated under EU law. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 June 2011, which have been prepared in accordance with IFRSs as adopted by the European Union.

After making enquiries, taking into account management's estimate of future revenues and expenditure and the financial covenants on the Group's debt, the directors have a reasonable expectation that the Group will have adequate financial resources to continue in operation for the foreseeable future.

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 June 2011, as described in those annual financial statements.

Amendments to existing standards that are relevant to the Group's operations

- Annual improvements to 2010. This set of amendments includes changes to six standards and one IFRIC. It is based on the exposure draft issued in August 2009, with additional change to IFRS 1, 'First-time adoption of IFRS', which was exposed as part of the 'rate-regulated activities' proposals issued in July 2009. Effective for annual periods beginning on or after 1 January 2011.

Amendments to existing standards and interpretations that are not relevant to the Group's operations

- Amendment to IAS 24, 'Related party disclosures'. Effective for annual periods beginning on or after 1 January 2011.
- Amendments to IFRS 7, 'Financial instruments: Disclosures' on de-recognition. Effective for annual periods beginning on or after 1 July 2011.
- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation. Effective for annual periods beginning on or after 1 July 2011.
- Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement'. Effective for annual periods beginning on or after 1 January 2011

4. Segment information

The chief operating decision maker has been identified as the executive management team. This team reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive management team considers the business as being organised into two distinct operating segments; Country Operations (including the Group's operations in France, UK, Italy, Germany, and Spain) where the group has its propriety sales infrastructure, and International Operations where the Group sells through a local distributor. Research and development, technology licensing income and costs, intellectual property and corporate costs are included under the 'other' heading.

The Company acquired IS Pharma on 20 May, the trading and net assets of which are mainly included under Country Operations.

The executive management team assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation, amortisation, and share-based payments (pre-exceptional EBITDA).

	Six months ended 31 December 2011				Six months ended 31 December 2010			
Business Segments	**International operations**	**Country operations**	**Other**	**Total**	International operations	Country operations	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Revenue	**5,640**	**17,676**	**83**	**23,399**	4,687	9,219	145	14,051
Cost of goods sold	**(2,943)**	**(6,399)**	**(455)**	**(9,797)**	(2,473)	(3,713)	(20)	(6,206)
Gross profit	**2,697**	**11,277**	**(372)**	**13,602**	2,214	5,506	125	7,845
Pre-Exceptional EBITDA	**1,137**	**4,100**	**(4,578)**	**659**	746	991	(3,056)	(1,319)

A reconciliation of total pre-exceptional EBITDA to operating loss is provided as follows:

	Six months ended 31 December 2011	Six months ended 31 December 2010
	£'000	£'000
Pre-exceptional EBITDA for reportable segments	**659**	(1,319)
Depreciation	**(246)**	(103)
Amortisation	**(2,267)**	(1,613)
Exceptional items	**(2,649)**	429
Share based payments	**(500)**	24
Operating loss	**(5,003)**	(2,582)

5. Exceptional Items

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

	Six months ended 31 December 2011 £'000	Six months ended 31 December 2010 £'000
Acquisition costs	**(659)**	**-**
Profits on disposal	**209**	**-**
Restructuring costs	**(1,757)**	429
Pass through of fair valuation uplift in acquired inventories	**(442)**	-
Early settlement expenses on debt facility	**-**	(924)
	(2,649)	(495)

Acquisition costs of £659,000 include legal and professional expenses incurred in relation to the acquisition of Advanced Bio Technologies Inc which was completed in December 2011.

Profits on disposal of £209,000 are generated from the disposal of Mysoline by the Group to Laboratories Serb SAS for a total consideration of £11,075,000 in November 2011. The profit on disposal is the consideration net of the carrying value of the asset disposed and associated legal costs incurred.

Restructuring costs of £1,757,000 primarily relates to severance packages paid to employees in order to achieve efficiencies following the merger with IS Pharma plc and the restructuring of the Irish operation post the transfer of sales and marketing responsibilities to Fannin Limited. This also includes non cash costs of £244,000 relating to share based payments.

Restructuring credits of £429,000 in 2010 primarily arose on the settlement of disputes with former directors' resulting in reduced costs and the release of legal provisions.

£442,000 costs of sales are the pass through of the fair value uplift applied at acquisition to the carrying value of the inventory acquired with the IS Pharma Group. The costs are passed through as the inventory is sold to the market. All inventory valued as part of this uplift has now been sold into the market.

Early settlement expenses on the debt facility include early repayment fees and amortised expenses in 2010 totalling £924,000 which were expensed on repayment of the Bracken debt facility in October 2010.

6. Finance income and costs

	Six months ended 31 December 2011 £'000	Six months ended 31 December 2010 £'000
Interest on bank loans and overdrafts	**(350)**	(104)
Interest on other borrowings	**-**	(332)
Interest due on finance leases	**(2)**	(2)
Unwind of discount on deferred consideration	**(175)**	-
Early settlement expense on debt facility – (see note 5)	**-**	(924)
Other finance charges	**(35)**	(76)
Finance costs	**(562)**	(1,438)
Other interest income	**6**	2
Finance income	**6**	2
Net finance expense	**(556)**	(1,436)

7. Loss per share

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

Shares held by the Employee's Share Trust, including shares over which options have been granted to Directors and staff, have been excluded from the weighted average number of shares for the purposes of calculation of the basic loss per share.

The loss and weighted average number of shares for the purpose of calculating the diluted loss per share are identical to those used for the basic loss per share, as the exercise of share options and warrants would have the effect of reducing the loss per share and therefore are not dilutive.

	Six months Ended 31 December 2011	Six months ended 31 December 2010
Basic and diluted EPS		
Loss attributable to equity shareholders (£000)	**(5,200)**	(3,616)
Weighted average number of shares	**382,131,659**	194,024,220
Diluted weighted average number of shares	**382,131,659**	194,024,220
Loss per share (Basic and diluted)	**(1.4)p**	(1.9)p

8. Goodwill

	31 December 2011 £'000	31 December 2010 £'000	30 June 2011 £'000
Cost			
At 1 July	**64,776**	52,524	52,524
Additions through business combinations (see note 16)	**-**	86	8,607
Exchange adjustments	**(2,936)**	1,639	3,645
At period end	**61,840**	54,249	64,776
Accumulated amortisation and impairment			
At 1 July and period end	**2,879**	2,879	2,879
Net book value at period end	**58,961**	51,370	61,897

9. Intangible assets

	31 December 2011 £'000	31 December 2010 £'000	30 June 2011 £'000
Cost			
At 1 July	**80,304**	39,476	39,476
Additions	**509**	2,486	2,092
Additions arising on business combinations (note 16)	**19,871**	-	37,039
Disposals	**(12,235)**	-	(322)
Exchange adjustments	**(1,390)**	702	2,019
At period end	**87,059**	42,664	80,304
Amortisation and impairment			
At 1 July	**18,589**	14,332	14,332
Charge for the period/year	**2,267**	1,613	3,064
Disposals	**(1,103)**	-	(164)
Impairment charge	**-**	-	669
Exchange adjustments	**(535)**	213	688
At period end	**19,218**	16,158	18,589
Net book value at period end	**67,841**	26,506	61,715

10. Other financial assets

Other financial assets of £1,794,000 in current assets and balances included in other non-current financial assets of £1,444,000 comprise restricted cash deposits held at Clydesdale Bank under the terms of the Group's debt facility. Restricted cash deposits are released into cash and cash equivalents as overseas bank debt is repaid and certain other financial liabilities are settled.

11. Trade and other receivables

	31 December 2011 £'000	31 December 2010 £'000	30 June 2011 £'000
Trade receivables	**10,024**	9,691	12,769
Less provision for impairment of trade receivables	**(196)**	(1,560)	(193)
Trade receivables-net	**9,828**	8,131	12,576
Other receivables	**1,531**	903	1,382
Current tax receivables	**7**	72	7
Prepayments and accrued income	**1,602**	1,155	1,303
	12,968	10,261	15,268

12. Trade and Other payables

	31 December 2011 £'000	31 December 2010 £'000	30 June 2011 £'000
Trade payables	**8,769**	6,683	8,580
Other taxes and social security costs	**964**	805	1,477
Other payables	**1,521**	642	1,483
Accruals and deferred income	**3,757**	3,844	4,630
	15,011	11,974	16,170

13. Borrowings

	31 December 2011 £'000	31 December 2010 £'000	30 June 2011 £'000
Bank loans	**11,057**	2,321	7,130
Convertible loan notes	**-**	2,300	-
Other borrowings	**-**	4	17
Finance lease liabilities	**57**	18	-
Non-current borrowings	**11,114**	4,643	7,147
Obligations under finance leases	**15**	32	17
Bank overdrafts	**129**	158	317
Bank loans	**3,670**	1,023	2,504
Other borrowings	**-**	91	-
Current borrowings	**3,814**	1,304	2,838
Total borrowings	**14,928**	5,947	9,985
Borrowings included above are repayable as follows:			
On demand or within one year	**3,814**	1,304	2,838
Over one and under two years	**3,376**	4,643	2,330
Over two and under five years	**7,738**	-	4,817
Total borrowings	**14,928**	5,947	9,985

Bank loans comprise a term loan facility with Clydesdale Bank of which £12.8 million was drawn at 31 December 2011, and term loans totalling £2.4 million from various commercial banks in France.

The total Clydesdale facility is for £16.0 million (including £1.0 million revolving credit facility) and expires on 6 April 2015. Interest on the sterling drawing is charged at LIBOR plus 2.5%. Interest over £6.3 million of the principal is capped at 4.5% through an interest rate cap. Direct issue costs of £517,000 have been offset against the gross liability. Repayments are scheduled to be made in equal instalments every six months. Drawings under the facility are secured by a debenture over all the Group's assets. The French bank loans are secured by a pledge over the assets of Sinclair Pharma France SAS.

14. Other financial liabilities

Other financial liabilities include deferred purchase consideration due as follows:

	31 December 2011 £'000	31 December 2010 £'000	30 June 2011 £'000
Current	**2,401**	-	4,290
Non-current	**2,541**	680	2,556
	4,942	680	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.

In December 2011 the Company paid €1,500,000 (£1,284,000) of deferred consideration to the former owners of Sinclair IS Pharma Ireland Limited.

Also included in non-current other financial liabilities is deferred contingent consideration liabilities relating to the acquisition of Cranage Healthcare Limited (£331,000).

15. Cash flow from operating activities

	Six months ended 31 December 2011 £'000	Six months ended 31 December 2010 £'000
Loss before tax	**(5,559)**	(4,018)
Adjustments for:		
Finance income	**(6)**	(2)
Finance costs	**562**	1,438
Share based payments	**744**	(294)
Depreciation	**246**	103
Amortisation of intangible assets	**2,267**	1,613
Profit on disposal of intangible assets	**(209)**	-
Increase/(decrease) in provision for doubtful debts	**3**	(49)
Increase in provisions	**428**	(314)
Exchange (losses)/gains	**(441)**	42
	(1,965)	(1,481)
Changes in working capital (excluding effects of acquisitions)		
Decrease/(increase) in inventories	**1,183**	(985)
Decrease in receivables	**2,418**	649
(Decrease)/increase in payables	**(1,674)**	343
Net cash outflow from operations	**(38)**	(1,474)

16. Business Combinations

The Company acquired 100% of the issued share capital of Advanced Bio-Technologies Inc. ("ABT") on 15 December 2011 from HealthEdge Investment Partners and other shareholders. ABT owns the worldwide Kelo-cote® product rights excluding the USA.

As a consequence of the proximity of the acquisition date to the end of the accounting period some factors affecting the valuation of the acquisition are still to be determined and therefore the initial accounting for the acquisition has been determined on a provisional basis. The provisional fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

	Book Value £'000	Provisional Adjustments £'000	Provisional Fair Value £'000
Intangible assets	-	19,871	19,871
Inventories	349	403	752
Trade and other receivables	1,179	-	1,179
Cash and cash equivalents	15	-	15
Deferred tax assets	138	-	138
Trade and other Payables	(610)	-	(610)
Deferred tax liabilities	(94)	-	(94)
Net assets acquired	**977**	**20,274**	**21,251**

Consideration	
Cash Paid	16,703
Fair value of shares issued	4,548
Total purchase consideration	**21,251**
Total consideration less net assets acquired – Goodwill	**-**
Purchase consideration settled in cash	**(16,703)**
Cash and cash equivalents in subsidiary acquired	**15**
Cash outflow on acquisition	**(16,688)**

Equity consideration of £4,548,000 was satisfied through the issue of 19,990,000 Ordinary 1p shares in the Company with a fair value at date of issue (15 December 2011) of 22.75p

The provisional fair value of finished goods inventories was measured at selling price less costs of disposal and selling profit.

For the period ended 31 December 2011 £62,000 of revenue and a profit before tax of £50,000 has been recognised.

If ABT had been acquired on 1 July 2011 revenue of £2.2 million and a profit before tax of £1.3 million would have been included in the consolidated accounts.

Principal risks and uncertainties

Sinclair IS Pharma plc is a business that depends on product revenues through its own sales and marketing operations and marketing partners, a successful pipeline to build future revenues, other business development activities to generate future revenues, and good management of the finances of the Group. For the remaining six months of the financial year, the main risks associated with these factors are outlined below. There are no changes to these principal risks since the Annual report for the year ended 30 June 2011.

Risk associated with commercialised success of products

The Group's revenues are, and will be, principally from sales of its products. There can be no assurance that current product revenues can be maintained or increased in the future. Product sales may be affected by adverse market conditions or other factors including: pricing pressures from governments or other authorities, competition from other products, the withdrawal of a product because of a regulatory or other reason, or the financial or commercial failure of a marketing partner. Manufacturing of the majority of Sinclair products is outsourced and supply may be interrupted or products may be recalled should safety or other issues arise.

Competition and intellectual property risk

The position of Sinclair's products in the market is dependent on its ability to obtain and maintain patent and/or trademark protection for its products, preserve its trade secrets, defend and enforce its rights against infringement and operate without infringing the proprietary or intellectual property rights of third parties. The validity and enforceability of patents and/or trademarks may involve complex legal and factual issues resulting in uncertainty as to the extent of the protection provided. The Group's intellectual property may become invalid or expire before or during commercialisation of the product.

Risk associated with pipeline products

Sinclair is currently seeking and will seek in the future, regulatory approval for its pipeline products. Approval of these products within the target time frame or at any time is a risk, as the Company cannot guarantee the safety, efficacy and regulatory pathway of these products. Once approved, the commercial success of pipeline products cannot be guaranteed and the returns on the product may not be sufficient to cover the costs incurred through its development. The Group may choose to halt development of certain pipeline products in adverse financial conditions.

Statement of directors' responsibilities

The directors have voluntarily adopted to comply with the requirements of the Disclosure and Transparency Rules 4.2.7 and 4.2.8 as if the Company were listed on a regulated market under EU law. The directors' confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Sinclair IS Pharma Plc in the period were:

Mr G Cook	Non-Executive Chairman
Mr C P Spooner	Chief Executive Officer
Mr C H Foucher	Chief Operating Officer
Mr T Wright	Non-Executive Director
Mr R S Swanson	Non-Executive Director
Mr J-C Tschudin	Non-Executive Director

By order of the Board

CP Spooner
Chief Executive Officer

G Cook
Chairman

22 February 2012

Independent review report to Sinclair IS Pharma plc

Introduction

We have been engaged by the company to review the condensed consolidated financial information in the half-yearly financial report for the six months ended 31 December 2011, which comprises the Unaudited Consolidated Income Statement, Unaudited Consolidated Statement of Comprehensive Income, Unaudited Consolidated Balance Sheet, Unaudited Consolidated Statement of Changes in Shareholders' Equity, Unaudited Consolidated Statement of Cash Flows and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements, and in accordance with Disclosure and Transparency Rules as if the company were fully listed on a market regulated under EU law.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial information in the half-yearly financial report for the six months ended 31 December 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies or the Disclosure and Transparency Rules which the company has adopted as if it were fully listed on a market regulated under EU law.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
22 February 2012

Notes:

(a) The maintenance and integrity of the Sinclair IS Pharma plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.