Sinclair IS Pharma plc

Preliminary results for the year ended 30 June 2012

Delivering sustainable growth

13 September 2012, Sinclair IS Pharma plc (AIM: SPH.L), ("Sinclair IS" or the "Company") the international speciality pharma company, announces its preliminary results for the year ended 30 June 2012.

FINANCIAL HIGHLIGHTS

- **Revenues increased 56% to £51.4m** (2011: £32.9m)
- **Like-for-like[1] revenue growth of 11.6%**
- **Adjusted EBITDA[2] profit of £4.8m** (2011: loss of £1.3m)
- **Adjusted profit before tax[3] of £2.2m** (2011: loss of £2.7m)
- **Loss before tax of £9.8m** (2011: loss of £11.7m)
- **Strong improvement in operating cash flow +£10.7m vs 2011**

OPERATING HIGHLIGHTS

- IS Pharma operations rapidly integrated and UK commercial operations restructured
- Significant contribution post acquisition of worldwide rights to Kelo-cote®
- Multiple product launches undertaken by Invida in Asia
- Quintiles partnership brings major opportunity in Mexico
- Trading since year end is in line with the Board's expectations

Chris Spooner, Sinclair's CEO commented:
"Sinclair IS enters FY13 well placed to deliver robust growth in revenues and earnings. Today's announcement of a partnership with Quintiles for Mexico further demonstrates the Company's ability to execute multi product distribution deals in high growth emerging markets with blue-chip partners. A step change in the Group's profitability and cash generation was achieved during FY12 and we are confident of further strong improvement as momentum in the business builds."

1 Like-for-like revenues exclude product acquisitions and disposals, one-off licence fee income and currency fluctuations.
2 Adjusted EBITDA defined as earnings before interest, tax, depreciation, amortisation, share based payments and exceptional items.
3 Adjusted profit before tax excludes intangible asset amortisation and exceptional items.

- Ends -

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Sinclair's management team will discuss the Company's results at a presentation for analysts today at 9.00am which will be held at the offices of FTI Consulting. Please contact FTI Consulting 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 2012 was the second full year for Chris Spooner and his executive management team and I am pleased to say that the significant benefits of the restructuring and refocusing undertaken in the prior year became increasingly visible as the year progressed. Notwithstanding the economic and currency headwinds in Europe, revenue for the full year grew by 56% to reach £51.4 million with like for like sales growth of 11.6%; the Company broke through into profitability at the adjusted EBITDA level for the first time; and we now have a high quality platform for future growth in sales and profits.

I would like to highlight some of the key achievements of the executive team in the year which have put the Company on the road to achieving our ambitious goals for growth. These were: the creation of a single, fully integrated operations platform; the focusing of the business on fewer key products; the completion of some important transactions to dispose of non-core products and acquire new core and synergistic products; and the positioning of the company for significant future sales growth, especially in emerging markets.

Following the successful and rapid integration of IS Pharma, the Company now has a single international operating platform which fully integrates all key functions, including sales and marketing, logistics, supply and manufacturing, quality and pharmacovigilance, and product and brand development. The significance of this is high operating leverage- namely that a high proportion of additional revenues achieved by future organic growth or product acquisitions will now drop through into operating profits. The Sinclair IS platform is robust and will now be able to handle a considerably higher level of sales without significant additional overhead being incurred.

At the beginning of the financial year, following the acquisition of IS Pharma, the Board performed a detailed assessment of the company's core skills and technologies and decided to focus the business on commercialising fewer, bigger assets and developing single brand names globally. The business was reorganised into three key areas: dermatology; wound care; and critical/supportive care. This represents a diversified product offering involving the engagement of hospitals, pharmacies and dermatologists. It also has a high degree of congruency, as several of the key products and technologies of the Company such as the Flamma (burns) and Kelo-cote (scar management) franchises can be cross-sold into all these customer groups. For example, Flamma has historically been a successful but low-growth product for the treatment of burns in hospitals, which was acquired by Sinclair IS in 2009; in March 2011 we launched FlammaSpray for the treatment of sunburn; in 2012/13 we will be launching FlammaGel for the treatment of minor burns, with other related products identified for future launches. Similarly Kelo-cote line extensions are being identified and Kelo-cote Stretchmarks is expected to be launched in 2012/13.

The rigorous focus imposed by the management team is already becoming evident in the sales performance; in the year to June 2012 the leading five products provided 50% of sales compared with 34% three years ago. The growth of the leading five products was 33% in the year to June 2012, compared with 5% three years ago.

This more focused approach, combined with targeted sales and marketing expenditure which was increased by a further £3 million in the year to £14.5 million, is helping to create a clear internationally recognised Sinclair IS brand. With a pipeline focused more on developing and extending existing brands than risky new technologies, the management have been able to reduce spending on research and development, and spend commensurately more on increasing sales through an effective specialist sales force and more powerful marketing/brand support.

During the year we were able to accelerate the increasing focus and the growth of the business by closing a series of successful deals and partnerships. Following the successful integration of IS Pharma, the non-core IS Pharma product Mysoline was sold for £11.1 million and the proceeds utilised to finance the acquisition of Advanced Bio-Technologies Inc. for £21.3 million, which gave Sinclair IS ownership of the core Kelo-cote product in all remaining markets outside the US. Kelo-cote is a core dermatology product and is now Sinclair IS's second largest brand with significant growth potential in both developed and emerging markets. These value-accretive transactions were accompanied by a number of successful partnerships to broaden the sales reach of the Sinclair IS portfolio, such as the first co-promotion agreement for Kelo-cote with Galderma in Italy. Galderma's scale and reputation in the dermatology industry will significantly enhance our marketing strategy and complement our proprietary sales team.

Our 20 year partnership with Invida for multiple Asian markets started to bear fruit in the year and looks most encouraging for the future. Sinclair IS revenue from Asia grew by 155% in the year. Two major products - Atopiclair® and Papulex® - were launched in 10 Asian markets and there are multiple new product launches scheduled for 2012/13 including a first launch in China in 2013. Invida is devoting significant time and resources to its partnership with Sinclair IS and we expect the partnership to be a major contributor to our earnings growth in the medium and long term. We continue to explore additional partnerships for major emerging markets, and today's announcement of a multi-product partnership for Mexico with Quintiles is the first for Latin America. Kelo-cote® is already established in Brazil and is expected to serve as a platform for our Latin American ambitions.

The Company is in excellent financial shape to make selective investments in strategically appropriate product acquisitions, with net debt being only 8% of shareholders' funds at the year-end.

Sinclair IS is now an internationally recognised successful specialty pharmaceuticals company which is increasingly reflected in the size and quality of potential partners who approach us. The management team have done a tremendous job in creating a focused, hungry, sales orientated organisation with a single culture which can meet the highest regulatory and supply-chain standards. First quarter trading provides further encouragement and we look forward to reporting further progress during the year.

Grahame Cook
Chairman

BUSINESS REVIEW

Sinclair IS generated £4.8m adjusted EBITDA* for FY12 on sales of £51.4m (+%56). Like-for-like revenues (excluding product acquisitions and disposals, one-off license income and currency fluctuations) grew by 11.6%. The Company achieved EBITDA profitability without significant one-off income for the first time in its history, and in-line with management's guidance.

The integration of IS Pharma involved a complete restructuring of the UK commercial operation, while in Italy the sales force headcount was cut to both reduce costs and pave the way for partnerships. France, Spain and Germany all enjoyed increases in sales and marketing headcount as the Company continued to invest heavily in commercial operations.

The acquisition of Kelo-cote® worldwide (excluding the US) has created multiple opportunities. Therapeutically, it positions the Company for a move towards higher margin aesthetic dermatology. Geographically, the Company is now in Brazil and China for the first time and has added to its growth potential in South-East Asia. The tie-up with Quintiles for multiple dermatology products in Mexico is a step forward in our ambitions for Latin America, while we remain confident of extending our reach in CEE and Russia.

Key to our acquisition-led strategy is to demonstrate the Company's ability to acquire high-quality brands and increase their value. The Flamma franchise grew by 7% in FY12 compared to a c.5% decline when the Company acquired the product in December 2009. Similarly the growth rates of Kelo-cote® and Variquel®/Haemopressin® have materially accelerated under the Sinclair IS commercial team. We believe these improvements are a direct result of commercial focus. Over 60% of the sales and marketing budget is targeted at Kelo-cote®, Flammazine® and Papulex®, while the total number of actively promoted brands is just six. The Company continues to dispose of non-core assets; notably in November 2011 the anti-epilepsy/tremor treatment Mysoline, sold to Laboratoires Serb.

Country Operations – Revenue £35.5m +3.4% LFL growth (2011: £22.2m)

France – Revenue £12.6m 0% LFL growth (2011: £12.5m)
The Company expects the trend to combine dermatologist-led prescription and OTC promotion to continue. Hence the move towards self-pay and a focus on key profitable brands set the direction of our sales and marketing strategy. Although the overall FY12 reported growth rate was lacklustre in a challenging market, the Board believes product mix is improving, a view reinforced by recent IMS data showing our drugs and medical devices growing c.6%.

Kelo-cote® is already the scar market leading silicone gel product. It has been well received by the medical community and already enjoys a 27% market share among plastic surgeons and dermatologists. Despite taking market share, Atopiclair® sales were only stable which was disappointing, although the atopic dermatitis market was very weak overall due to the exceptionally mild winter. A better performance was enjoyed with Haemopressin®, with sales secured by two new 2-year tenders and Flammazine®, with an 8% increase in revenues from this leading franchise.

The OTC portfolio grew by 12% LFL and representing 23% of total sales turnover is already meaningful to our French business. Sinclair IS sells to around 1,900 pharmacy customers, with approximately 4,500 outlets.

* Adjusted EBITDA defined as earnings before interest, tax, depreciation, amortisation, share based payments and exceptional items. Hereafter always referenced as EBITDA.

UK – Revenue £10.1m 2% LFL decline (2011: £1.0m)
Both marketing and sales were comprehensively reorganised and re-staffed in the UK with clear targets to focus on the specialist hospital environment, specifically oncology critical and supportive care, and wound care. Three experienced brand managers now provide targeted product strategies, and this combined with the adoption of a true 'key account management' approach allowed the UK team to make significant progress. Relocation of the UK commercial effort to the London office has enabled sharing of best practice and a closer involvement with a strengthened UK management team.

The UK environment remains very difficult, and a decision in early FY12 to de-stock the channel after the IS Pharma acquisition further hurt the sales line. Nevertheless there are good reasons for optimism on our key brands. Kelo-cote UV® and Xclair® were launched during the year, and early sales data is encouraging. Kelo-cote® is now promoted to plastic surgeons in the private arena in addition to existing NHS channels. During FY12 we launched the oral version of Aloxi®, and have already seen signs of growth with increased uptake especially at key NHS centres.

In Ireland we extended our exclusive partnership with Fannin Healthcare Ltd and added Kelo-cote® to the agreement. Fannin is one of Ireland's leading healthcare companies with a strong commercial infrastructure across both the Republic of Ireland and Northern Ireland. The transfer of key personnel from Sinclair IS Ireland to Fannin ensured business continuity and generated significant savings which have been reinvested into the core UK business.

Germany – Revenue £5.8m 18% LFL growth (2011: £2.7m)
In Germany we continue to balance the need for profitability against the increasing cost demands of a growing business. We are delighted that profitable and strong growth was achieved by a focus on Kelo-cote® and Flammazine® and after hiring several new personnel in sales and marketing.

Kelo-cote® market share grew in FY12 due to direct promotion to dermatologists and the initiation of training programmes for wholesalers and pharmacies. Haemopressin® has performed well as a result of our distributor Meduna growing the brand and developing new clinical partners, despite facing fierce competition. FlammaSpray was launched towards the end of the period after a deal was finalised with OTC Pharma, a domestic OTC distributor.

Spain – Revenue £3.5m 44% LFL growth (2011: £2.1m)
A strategy to promote Flammazine® in pharmacies and launch FlammaSpray (sunburn) has been implemented during the year and resulted in 38% growth in the Flamma franchise. Kelo-cote®, which was launched in FY11 and specifically marketed to dermatologists, was additionally promoted in the OTC setting by Vemedia during FY12, and targeted at some 7,000 pharmacies.

A focus by the sales force on key dermatology brands has been successful and led to encouraging results, including Bio-Taches® (+43%) and Papulex® (+36%). In oral care, our partner Italfarmaco grew Aloclair® (mouth ulcers) by 56%.

The IS Pharma merger has broadened our relationships in the hospital arena. Haemopressin has been particularly strong (+33%), with several new collaboration opportunities at hospitals where the Company was already present with Flammazine.

Italy – Revenue £3.5m 10% LFL decline (2011: £3.9m)
Although sales were weak, the Italian operations are now significantly more profitable following restructuring. The strategic focus is on the leading Sinclair dermatology brands including Kelo-cote®,

where a co-promotion partnership was signed with Galderma. The deal reflects both Kelo-cote's attractive market position as a leading scar management brand, and also the Company's determination to augment its own sales infrastructure in key European territories. In aggregate, the partnership will target around 10,000 doctors and 3,000 pharmacies.

International Operations – Revenue £15.4m 40% LFL growth (2011: £10.6m)

Americas, Northern Europe, CEE – Revenue £6.1m 19% LFL growth
The Quintiles partnership in Mexico is the first of what we intend will be several Latam distribution agreements, and bodes well for continued strong growth. Over the coming months we also aim to sign new partnerships elsewhere in the region.

53% growth is in large part due to the contribution of Kelo-cote®, especially in Brazil and Venezuela. Since the acquisition of ABT, Kelo-cote® became our leading product for the region (27% of total revenues) and was also launched in Chile, Costa Rica & Curacao.

Sebclair® (+135%) grew strongly in large part due to the US launch of Promiseb scalp wash by US dermatology partner Promius. With a 26% share, Promiseb is the leading product in the US seborrhoeic dermatitis market.

Middle East, Turkey, Africa – Revenue £5.6m 28% LFL growth
25% growth was achieved despite instability in North Africa and only a small contribution from Kelo-cote®. Of note was Turkey (+76%) due to a successful new partnership with Biocodex, and Algeria (+22%) which achieved a strong performance despite a Flammazine® import ban, introduced to protect local manufacturers.

Bio-Taches® is the leading product in the region, reaching £1.2m (+75%), notably due to the sun-care line extensions and the recent launch of Bio-Taches® Serum. Kelo-cote® is expected to drive future growth, with the product recently launched by Aspen in South Africa, placed in Saudi Arabia's leading pharmacy chain and due for launch in several countries.

Asia – Revenue £3.7m 155% LFL growth
Atopiclair® and Papulex® have now been launched in 10 of the 13 territories covered by the Invida partnership. The Flammazine® franchise is well established in the Philippines market since its re-launch in March 2012. Outside the Invida partnership, the Company has multiple distributors for Kelo-cote® in South-East Asia and China as a result of the Advanced Bio-Technologies, Inc. ("ABT") acquisition.

A feature of the Invida partnership is the latter's commitment to a comprehensive sales and marketing launch and development plan for Sinclair IS products, involving considerable financial investment. Early signs of commercial success are very encouraging, and the Company is optimistic for continued strong growth with several new product launches in FY13, including Kelo-cote® Stretchmarks cream (under the Glyderm TM) and first product launches in China.

Business Development
Sinclair IS has a fully integrated business platform, and is committed to generating operating leverage by making brand acquisitions, and extending distribution with larger, stronger partners. Equally, disposals of non-core products are vital to keeping the allocation of resources effective.

The £21.3m acquisition of ABT in December 2011 gave Sinclair IS ownership of ABT's flagship scar prevention and treatment product Kelo-cote® in all the remaining markets not already licensed by

Sinclair IS outside the US, with the most important markets being Brazil, Korea and China. At the same time Mysoline, a non-core epilepsy drug was sold to Laboratoire Serb SAS, for £11.1m, and the proceeds recycled to part finance Kelo-cote®.

It is a strategic intention of the Company to remain active in business development with further licensing deals and possible acquisitions likely in FY13. Similarly, beyond the Galderma/Kelo-cote® partnership in Italy, Sinclair IS intends to sign further co-marketing agreements in Europe during FY13 for specific leading products to augment its own sales forces.

Supply Chain

An important part of the integration of Sinclair and IS Pharma involved centralising the groups' supply chain activities. All manufacturing, purchasing, logistics, regulatory, product development and quality operations are now managed from Chester. This has simplified the business and enhanced control particularly in areas of supply chain management, quality control, and pharmacovigilance.

The decision to cease in-house manufacturing and close the Cléry plant from the end of June 2013 has been taken. All manufacturing will be transferred to already identified third parties during the coming financial year. Closure will significantly lessen business complexity, reduce inventories and improve gross margins.

In addition, a group wide ERP system is being implemented to provide fully integrated management of both supply chain and accounting functions. Group inventories were reduced by more than £3.5m last year, and further working capital optimisation may be expected as a result of ERP led efficiencies in inventory management and group reporting.

Development Pipeline

R&D activities are predominantly focused on the development of new products to extend our portfolio of key brands and trademarks. Line extensions launched during FY12 include Kelo-cote® Stretchmarks (Glyderm in Asia), and Bio-Taches® Serum (hyperpigmentation), a high concentrate product for use at night.

Other near-term projects include PapuDuo, a novel bio-film busting nicotinamde/delmopinol combination anti-acne product which is targeted for launch in early FY14, and a pre-mixed Variquel® solution which is under registration, with approval expected towards the end of 2012.

The extension of the Flamma franchise in wound care remains a key area of activity and a topical hydrogel for use on minor domestic burns is targeted for early 2013 launch. Additionally a clinical development plan is being defined for the use of Flammacerium in diabetic foot ulcers.

Outlook

The Group achieved double-digit LFL sales growth and a strong improvement in profits and cash generation in FY12. Similar organic revenue growth is expected during FY13, accelerating thereafter. Operating leverage is already being achieved through strong international growth via distributors and by increasing volumes through the existing European infrastructure. It is the Board's ambition to achieve step changes in the Company's earnings profile through further product and distribution deals.

FINANCIAL REVIEW

The year ended 30 June 2012 has been a landmark year in the development of the Group. Following the merger with IS Pharma at the end of the previous year, disposal of Mysoline in November 2011 and acquisition of ABT in December 2011, the Group has reported its first full year EBITDA profit of £4.8m. This result illustrates the benefits of the operating leverage that can be derived from increasing product revenues through Sinclair IS's established infrastructure. This strong improvement in underlying performance also translated into cash flow where operating cash flow improved by £10.7m compared to the prior year (£0.9m inflow vs £9.8m outflow).

Foreign exchange impact

The impact of currency movements on reported revenues and trading results is minimal for the year ended 30 June 2012 as the average euro to sterling exchange rate moved by less than 1.5% over the year. The balance sheet impact is more significant as the closing rate for June 2012 has weakened by 12% compared to the prior year, resulting in a reduction in the value of euro denominated assets and liabilities. If the euro's current weakness versus sterling persists throughout the current financial year then reported revenues will be negatively impacted while euro denominated cost of sales and operating costs will also be correspondingly reduced.

Revenue and Gross margin

Group revenues increased by 56% to £51.4m, including revenue of £3.3m from ABT in the six month period post acquisition in mid-December 2011. Underlying revenues grew by 11.6%LFL for the full year as a result of growth in core products (eg Kelo-cote® and Flammazine®) and from Invida's initial product launches across Asia during the year.

Gross margin (excluding fair value adjustments on acquired inventory) increased to 59.3% from 57.1% as a result of the change in product mix over the year with the inclusion of higher margin IS Pharma products, the acquisition of ABT with gross margin around 75%, and the switch to a margin share arrangement with Fannin in Ireland which now delivers 100% gross margin on Irish revenues.

Operating expenses

Selling, marketing and distribution costs increased by a further £3.0m to £14.5m as a result of the full year impact of the inclusion of UK commercial operations following the merger with IS Pharma and reflecting the continued investment which is being focussed on key products such as Kelo-cote® and Flammazine®. Administrative expenses before exceptional items, increased to £17.3m from £12.1m in the prior year. This increase is partly driven by a £2.5m increase in non-cash expenses; amortisation charges of £4.7m (2011: £3.1m) against acquired product rights as well as share based payments charges of £0.9m (2011: £0.1m). Importantly, underlying general administrative expenses, excluding regulatory, product development and supply chain, increased by just £0.8m following the merger with IS Pharma and have now reduced to 12.0% of total revenue, from 16.0% in the prior year.

Exceptional items

Exceptional charges of £7.2m (2011: £6.0m) have been incurred in the year. Of these, £2.7m are non-cash charges, £1.7m will not be spent until 2013 when the factory closes and a further £0.8m was financed by Fannin on the transfer of the Irish business in November 2011. It is anticipated that planned non-core product disposals, to be completed in the current financial year, will finance a significant part of the redundancy costs that arise on the factory closure. The key components of the exceptional items are:

- £0.7m in respect of the release of fair value adjustment to acquired inventory in accordance with IFRS3 as this inventory was sold into the market. This is a non-cash accounting charge.
- Acquisition expenses of £0.9m incurred on the acquisition of ABT.
- Restructuring costs of £2.3m include reorganisation costs incurred following the merger with IS Pharma and the restructuring of supply and development activities into the Chester office as well as the closure of the Irish business following the transfer of this business to Fannin.
- A £0.2m profit on the disposal of Mysoline, net of disposal costs.
- Impairment charge of £0.9m against episil distribution rights on the return of European rights to the licensor.
- Provision of £2.6m in relation to the planned closure of the manufacturing facility in Cléry, France.

Financing costs

Financing costs reduced to £1.3m from £1.9m as the prior year costs included a one-off early settlement charge of £0.9m on debt facilities re-financed. The main elements of the on-going cost were £0.8m interest on borrowings (2011: £0.7m), as well as a £0.4m imputed interest cost on deferred purchase considerations which is derived from the unwinding of discounting applied to the underlying liabilities.

Taxation

A tax credit of £1.1m (2011: £0.1m) has been recorded for the year. This is made up of corporation tax charges of £0.7m offset by deferred tax credits of £1.8m. The Group is now paying tax in certain overseas jurisdictions where it operates; primarily in the US following the acquisition of ABT where profits on international Kelo-cote® revenues are recognised. The deferred tax credit arises on the amortisation of intangible assets acquired through business combinations.

Earnings per share

Adjusted basic EPS improved to 0.5p from a loss of 1.3p in 2011. Basic loss per share was 2.2p, down from 5.1p in 2011. Adjusted basic EPS is calculated after adjusting for exceptional items, intangible asset amortisation and the related deferred tax credit.

Cash flow and net debt

Cash generated from operations was £0.9m compared with a cash outflow of £9.8m in 2011, an improvement of £10.7m in the year. This strong improvement in cash flow was achieved through a combination of increased EBITDA and an improved working capital position. Cash generated from reducing working capital was £0.9m which is an improvement of £3.5m on the prior year where working capital consumed £2.6m in cash. This was primarily achieved through a reduction in inventory.

During the year, the Group has drawn an additional £8.5m on its banking facility, in order to part fund the acquisition of ABT, and the payment of deferred consideration. The remaining cash paid to ABT shareholders was funded by the £11.1m received from the disposal of Mysoline.

Cash and cash equivalents were £4.0m at 30 June 2012 (2011: £5.1m) and net debt is £9.1m at 30 June 2012, representing 1.9x EBITDA (2011: net funds of £0.3m). The Group will continue to make careful use of debt to fund acquisitions as opportunities arise, without stretching the balance sheet. Cash that was placed on restricted deposits of £5.2m at 30 June 2011 has been released in full during the year and the Group had no restricted cash deposits at 30 June 2012. The cash released was used to repay all overseas bank debt, leaving the Group debt free outside the UK.

Balance sheet

Goodwill and intangible assets increased by a combined £6.0m in the year as the acquisition of ABT added goodwill and intangibles of £27.6m, offset by the disposal of Mysoline, intangible amortisation, and foreign exchange losses.

Inventories have fallen significantly, down to £5.8m from £9.6m last year. This is due to closer management of inventory across the Group, as well as the transfer of all Irish products to Fannin during the year. Further reductions in inventory levels are anticipated following the implementation of a group wide ERP system and post the transfer of production from Cléry to a third party manufacturer which will remove raw material and packing components from inventory.

Liabilities for deferred purchase consideration have been reduced from £6.8m to £2.2m at the year end, following payments made to Helsinn and the developers of Haemopressin made in the year.

Unaudited Consolidated Income Statement
For the year ended 30 June 2012

	Notes	**Pre-exceptional items £'000**	**Unaudited 2012 Exceptional items (note 3) £'000**	**Total £'000**	Pre-exceptional items £'000	Audited 2011 Exceptional items (note 3) £'000	Total £'000
Revenue	2	**51,424**	**-**	**51,424**	32,897	-	32,897
Cost of sales		**(20,911)**	**(687)**	**(21,598)**	(14,108)	-	(14,108)
Gross profit		**30,513**	**(687)**	**29,826**	18,789	-	18,789
Selling, marketing and distribution costs		**(14,548)**	**-**	**(14,548)**	(11,543)	-	(11,543)
Administrative expenses	3	**(17,260)**	**(6,510)**	**(23,770)**	(12,077)	(5,057)	(17,134)
Operating loss		**(1,295)**	**(7,197)**	**(8,492)**	(4,831)	(5,057)	(9,888)
Finance income	4	**5**	**-**	**5**	16	-	16
Finance costs	4	**(1,287)**	**-**	**(1,287)**	(946)	(924)	(1,870)
Loss before taxation		**(2,577)**	**(7,197)**	**(9,774)**	(5,761)	(5,981)	(11,742)
Taxation	5			**1,133**			76
Loss for the year				**(8,641)**			(11,666)
Loss per share (basic and diluted)	6			**(2.2p)**			(5.1p)
Adjusted earnings / (loss) per share (basic and diluted)	6			**0.5p**			(1.3p)

Unaudited Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

	Unaudited 2012 £'000	Audited 2011 £'000
Loss for the year	**(8,641)**	(11,666)
Other comprehensive income		
Currency translation differences	**(7,010)**	5,585
Total comprehensive (expense)/income for the year	**(15,651)**	(6,081)

Unaudited Consolidated Balance Sheet
At 30 June 2012

	Note	**Unaudited 2012 £'000**	Audited 2011 £'000
Non-current assets			
Goodwill	7	**64,765**	61,897
Intangible assets	8	**64,860**	61,715
Property, plant and equipment		**842**	2,115
Deferred tax assets		**4,806**	4,417
Other non-current assets		**128**	2,040
		135,401	132,184
Current assets			
Inventories		**5,833**	9,586
Trade and other receivables	9	**16,682**	15,261
Current tax receivable		**99**	7
Other current financial assets		**-**	3,411
Cash and cash equivalents		**4,036**	5,101
		26,650	33,366
Assets held for resale		**425**	-
Total assets		**162,476**	165,550
Current liabilities			
Financial liabilities – borrowings	12	**(3,118)**	(2,838)
Trade and other payables	10	**(15,740)**	(16,170)
Other financial liabilities	13	**(494)**	(4,290)
Current tax liabilities		**(738)**	-
Provisions	11	**(370)**	(409)
		(20,460)	(23,707)
Non-current liabilities			
Financial liabilities – borrowings	12	**(9,984)**	(7,147)
Other long term financial liabilities	13	**(1,706)**	(2,556)
Deferred tax liabilities		**(13,293)**	(7,416)
Other non-current liabilities		**(707)**	(480)
Provisions	11	**(2,048)**	(331)
		(27,738)	(17,930)
Total liabilities		**(48,198)**	(41,637)
Net assets		**114,278**	123,913
Equity			
Share capital		**4,026**	3,809
Share premium account		**58,727**	58,788
Merger reserve		**97,141**	92,424
Other reserves		**3,529**	10,539
Retained deficit		**(49,145)**	(41,647)
Total shareholders' equity		**114,278**	123,913

Unaudited Consolidated Statement of Changes in Shareholders' Equity
For the year ended 30 June 2012

	Share capital	Share premium	Merger reserve	Other reserves	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2010	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/(expense) for the year	-	-	-	5,585	(11,666)	(6,081)
Share based payments	-	-	-	-	(200)	(200)
Options and warrants exercised	19	-	-	-	-	19
Share capital issued - Fundraising	679	18,321	-	-	-	19,000
Share capital issued – Acquisition	1,398	-	41,950	-	-	43,348
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	**3,809**	**58,788**	**92,424**	**10,539**	**(41,647)**	**123,913**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(7,010)	-	(7,010)
Loss for the year	-	-	-	-	(8,641)	(8,641)
Total comprehensive (expense) for the year	-	-	-	(7,010)	(8,641)	(15,651)
Share based payments	-	-	-	-	1,143	1,143
Options and warrants exercised	1	-	-	-	-	1
Share capital issued – Acquisition (note 15)	200	-	4,348	-	-	4,548
Share capital issued – deferred consideration	16	-	369		-	385
Share issue expenses	-	(61)	-	-	-	(61)
Balance at 30 June 2012	**4,026**	**58,727**	**97,141**	**3,529**	**(49,145)**	**114,278**

Unaudited Consolidated Cash Flow Statement
For the year ended 30 June 2012

	Note	**Unaudited**	Audited
		2012	2011
		£'000	£'000
Cash flows from operating activities			
Net cash inflow/(outflow) from operations	14	**1,512**	(8,462)
Interest paid		**(825)**	(1,294)
Interest paid on finance leases		**(4)**	-
Taxation		**230**	-
Net cash generated from / (used in) operating activities		**913**	(9,756)
Investing activities			
Interest received		**5**	16
Purchases of property, plant and equipment		**(223)**	(865)
Purchase of intangible assets		**(685)**	(1,392)
Proceeds from sale of intangible assets		**10,935**	-
Purchase of financial instruments		**(21)**	-
Payment of deferred consideration		**(3,679)**	-
Acquisition of subsidiary undertakings, net of cash acquired		**(16,688)**	11,979
Net cash (used in) / generated from investing activities		**(10,356)**	9,738
Financing activities			
Repayments of obligations under finance leases		**(11)**	(25)
Proceeds from borrowings net of issue costs		**8,500**	7,894
Repayments of borrowings		**(5,013)**	(17,932)
Proceeds from issue of share capital		**-**	19,018
Proceeds from repayment of loan ESOT		**-**	394
Net transfer of cash to restricted deposits held as other financial assets		**5,210**	(5,210)
Share issue costs		**-**	(1,242)
Net cash generated from financing activities		**8,686**	2,897
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts		**(757)**	2,879
Cash, cash equivalents and bank overdrafts at 1 July		**4,784**	1,850
Exchange gains on cash and bank overdrafts		**9**	55
Cash, cash equivalents and bank overdrafts at end of year		**4,036**	4,784
Cash, cash equivalents and bank overdrafts includes:			
Cash and cash equivalents		**4,036**	5,101
Bank overdrafts		**-**	(317)
Cash, cash equivalents and bank overdrafts		**4,036**	4,784

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 2011 and which will be used in preparing the financial statements for the year ended 30 June 2012. There have been no changes to the accounting policies during the year, except as described below:

The segmental analysis has been revised in accordance with IFRS 8 (revised) which requires management to determine operating segments based on the group's internal reporting structure, reflecting the impact of changes in the Group during the year ending 30 June 2012.

The following new standards and amendments to standards are mandatory for the first time for the financial year ending 30 June 2012 and have been applied by the Group, but have had no impact.

- Annual improvements to 2010. This set of amendments includes changes to a number of standards 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.
- 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.

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 2011 has been extracted from the Group's financial statements for the year ended 30 June 2011. The auditors' report on the financial statements for the year ended 30 June 2011 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 2011 have been delivered to the Registrar of Companies.

The Group's forecasts, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current debt facilities. After making enquiries, and considering the covenants on the Group's debt, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. As a result, they continue to adopt the going concern basis in preparing the preliminary financial information.

This preliminary financial information was approved by the Board of Sinclair IS Pharma plc on 12 September 2012.

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 segmental analysis has been revised in accordance with IFRS 8 (revised) which requires management to determine operating segments based on the group's internal reporting structure, as a consequence management has revised the 2011 presentation (restated below), to reflect the impact of changes to the Group in the year ending 30 June 2012.

The executive management team considers the business as being organised into the following reportable operating segments; Country Operations (including the Group's operations in France, UK, Italy, Germany and Spain) where the Group has its proprietary 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 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 (EBITDA).

			Unaudited 2012					
Operating Segments	**International operations**	**France**	**Italy**	**Germany**	**United Kingdom**	**Spain**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	**15,439**	**12,562**	**3,503**	**5,852**	**10,086**	**3,530**	**452**	**51,424**
Cost of goods sold	**(7,177)**	**(5,126)**	**(1,456)**	**(1,813)**	**(3,493)**	**(1,525)**	**(321)**	**(20,911)**
Gross profit	**8,262**	**7,436**	**2,047**	**4,039**	**6,593**	**2,005**	**131**	**30,513**
EBITDA	**4,813**	**1,420**	**480**	**2,434**	**3,055**	**399**	**(7,817)**	**4,784**

			Audited 2011					
Operating Segments	International operations	France	Italy	Germany	United Kingdom	Spain	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	10,555	12,514	3,905	2,697	1,014	2,087	125	32,897
Cost of goods sold	(5,194)	(5,019)	(1,647)	(890)	(331)	(1,027)	-	(14,108)
Gross profit	5,361	7,495	2,258	1,807	683	1,060	125	18,789
EBITDA	2,641	387	141	358	(91)	(181)	(4,584)	(1,329)

The revenue analysis above is stated net of inter-company sales.

A reconciliation of total adjusted EBITDA to total operating loss is provided as follows:

	Unaudited 2012	Audited 2011
	£'000	£'000
EBITDA for reportable segments	**4,784**	(1,329)
Depreciation	**(463)**	(343)
Amortisation	**(4,738)**	(3,064)
Exceptional items	**(7,197)**	(5,057)
Share based payments (excluding amounts in exceptional items)	**(878)**	(95)
Operating loss before tax	**(8,492)**	(9,888)

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
	2012	2011
	£'000	£'000
Acquisition costs	**(882)**	(1,395)
Restructuring costs	**(2,286)**	(2,993)
Impairment charges	**(947)**	(669)
Released fair valuation adjustment in acquired inventories	**(687)**	-
Profits on disposal	**197**	-
Closure of manufacturing facilities	**(2,592)**	-
Early settlement expenses on Bracken facility	**-**	(924)
	(7,197)	(5,981)

Acquisition costs of £882,000 primarily include legal and professional expenses incurred in relation to the acquisition of Advanced Bio Technologies Inc. which was completed in December 2011.

Restructuring costs of £2,286,000 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 £265,000 relating to accelerated share based payments.

£687,000 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 in May 2011 and Advanced Bio Technologies Inc. in December 2011. The fair value uplift is expensed as the inventory is sold to the market. All inventory associated with the acquisition of the IS Pharma Group which was valued as part of this uplift has now been sold into the market.

Impairment charges of £947,000 have been made to the episil product license included within intangible assets and acquired as part of the acquisition of the IS Pharma Group. Disappointing sales of the Episil product which is licensed from Camurus led to the decision to terminate this license agreement, thus avoiding future minimum order liabilities. The company retains the rights to sell Episil in the UK. In the prior year impairment charges of £669,000 were 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. These are non-cash charges.

Profits on disposal of £197,000 were 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.

During the year the Company announced its plans to close its only manufacturing facility at Cléry in France and outsource its manufacturing arrangements. The company plans to complete the closure by June 2013. As a consequence charges of £2,592,000 have been recognised in respect of the costs of this closure and to recognise the impairment of certain assets, including the land and buildings. The Company is planning to make significant cost savings through the outsourcing of these manufacturing arrangements to its manufacturing partners.

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

4. Finance income and costs

	Unaudited 2012 £'000	Audited 2011 £'000
Finance costs		
Interest on bank loans and overdrafts	**(764)**	(291)
Interest on other borrowings	**(19)**	(342)
Imputed interest on deferred consideration	**(392)**	(35)
Net foreign exchange gains/ (losses) on financing activities	**62**	(199)
Early settlement expense on Bracken facility (note 3)	**-**	(924)
Other finance charges	**(174)**	(79)
Finance costs	**(1,287)**	(1,870)
Finance income		
Bank interest receivable	**5**	16
Finance income	**5**	16
Net finance expense	**(1,282)**	(1,854)

5. Taxation

	Unaudited 2012 £'000	Audited 2011 £'000
UK corporation tax	**(79)**	-
Overseas tax	**753**	34
Withholding tax	**-**	15
Deferred tax	**(1,807)**	(125)
Tax credit on loss before tax	**(1,133)**	(76)

6. Loss per share

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. 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 2012, as the exercise of share options and warrants would have the effect of reducing the loss per share and therefore is not dilutive.

	Unaudited 2012	Audited 2011
Loss attributable to equity shareholders (£'000)	**(8,641)**	(11,666)
Weighted average number of shares	**391,557,663**	230,011,876
Diluted weighted average number of shares	**391,557,663**	230,011,876
Basic and diluted loss per share (pence)	**(2.2p)**	(5.1p)

Adjusted earnings / (loss) per share has been calculated by adding back exceptional charges and amortisation of intangible assets to the loss for the year, together with related deferred tax movements, resulting in an adjusted profit for the year.

	Unaudited 2012	Audited 2011
Adjusted profit / (loss) attributable to equity shareholders (£'000)	**2,092**	(2,920)
Adjusted earnings per share basic and diluted (pence)	**0.5p**	(1.3p)

A reconciliation of adjusted profit / (loss) is as follows:

	Unaudited 2012 £'000	Audited 2011 £'000
Loss for the year	**(8,641)**	(11,666)
Exceptional items (note 3)	**7,197**	5,981
Amortisation (note 8)	**4,738**	3,064
Deferred tax credit on intangible assets	**(1,202)**	(299)
Adjusted profit / (loss)	**2,092**	(2,920)

7. Goodwill

	Unaudited 2012 £'000	Audited 2011 £'000
Cost		
At 1 July	**64,776**	52,524
Additions (note 15)	**7,134**	8,607
Exchange adjustments	**(4,266)**	3,645
At 30 June	**67,644**	64,776
Accumulated amortisation and impairment		
At 1 July and 30 June	**2,879**	2,879
Net book value at year end	**64,765**	61,897

Additions in the year comprise the excess consideration paid over the fair value of assets acquired on the purchase of Advanced Bio-Technologies Inc (2011: IS Pharma plc and Cranage Healthcare Limited).

8. Intangible Assets

	Unaudited 2012 £'000	Audited 2011 £'000
Cost		
At 1 July	**80,304**	39,476
Additions	**1,238**	2,092
Additions arising on business combination (note 15)	**20,451**	37,039
Disposals	**(12,420)**	(322)
Transfer to assets held for sale	**(425)**	-
Exchange adjustments	**(2,460)**	2,019
At 30 June	**86,688**	80,304
Amortisation and impairment		
At 1 July	**18,589**	14,332
Charge for the year	**4,738**	3,064
Disposals	**(1,458)**	(164)
Impairment charge (note 3)	**947**	669
Exchange adjustments	**(988)**	688
At 30 June	**21,828**	18,589
Net book value at year end	**64,860**	61,715

Additions arising on business combinations relate to the fair value uplift on acquisition of Advanced Bio-Technologies Inc. (note 15). Disposals principally comprise the Mysoline assets sold to Laboratoire SERB SAS in November 2011.

Transfers in the period ended 30 June 2012 include certain intangible assets, which have been reclassified as assets held for resale because the Group has entered into negotiations to sell these assets.

9. Trade and other receivables

	Unaudited 2012 £'000	Audited 2011 £'000
Trade receivables	**15,023**	12,769
Less provision for impairment of trade receivables	**(279)**	(193)
Trade receivables net of provision	**14,744**	12,576
Other receivables	**888**	1,382
Prepayments and accrued income	**1,050**	1,303
	16,682	15,261

10. Trade and other payables

	Unaudited 2012 £'000	Audited 2011 £'000
Trade payables	**9,037**	8,580
Other taxes and social security costs	**940**	1,477
Accruals and deferred income	**4,462**	4,630
Other payables	**1,301**	1,483
	15,740	16,170

11. Provisions

	Unaudited 2012 £'000	Audited 2011 £'000
At 1 July 2011	**740**	670
Charged to the income statement	**1,957**	714
Utilised in the year	**(224)**	(556)
Released in the year	**(55)**	(88)
	2,418	740

Analysis of total provisions:

	Unaudited 2012 £'000	Audited 2011 £'000
Non-current	**2,048**	331
Current	**370**	409
	2,418	740

Total provisions comprise legal provisions of £920,000 (2011: £612,000) and restructuring provisions of £1,498,000 (2011: £128,000).

12. Borrowings

	Unaudited 2012 £'000	Audited 2011 £'000
Bank loans	**9,933**	7,130
Obligations under finance leases	**51**	17
Non-current borrowings	**9,984**	7,147
Obligations under finance leases	**18**	17
Bank loans	**3,100**	2,504
Bank overdrafts	**-**	317
Current borrowings	**3,118**	2,838
Total borrowings	**13,102**	9,985

Borrowings included above are repayable as follows:		
On demand or within one year	**3,118**	2,838
Over one and under two years	**3,118**	2,330
Over two and under five years	**6,866**	4,817
Total borrowings	**13,102**	9,985

Bank loans comprise a term loan facility with Clydesdale Bank of which £15.5m (2011: £7.0m) has been drawn at June 2012 and £13.5m remains outstanding after capital repayments of £2m during the period. 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 3.0%, and interest over two thirds of the amount drawn is capped at 4.5% through an interest rate cap. Direct issue costs of £380,000 have been offset against the gross liability. Repayments are scheduled to be made in equal instalments every 6 months. Drawings under the facility are secured by a debenture over all the Group's assets.

13. Other Financial liabilities

	Unaudited 2012 £'000	Audited 2011 £'000
Deferred Consideration	**1,706**	2,556
Non-current	**1,706**	2,556
Deferred Consideration	**494**	4,290
Current	**494**	4,290
	2,200	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 based on the timing of minimum contractual amounts payable by 2016, discounted to its present value.

In 2011 other current financial liabilities also included £1,355,000 of deferred purchase consideration payable to the former owners of Sinclair IS Pharma Ireland Limited (formerly Helsinn Birex Therapeutics Limited). This was settled in full by cash payment during 2011.

Also included non-current other financial liabilities in 2011 was deferred contingent consideration liabilities relating to the acquisition of Cranage Healthcare Limited (£331,000). This was settled in March 2012 by issue of 1,640,625 new ordinary 1p shares.

14. Cash flow from operations

	Unaudited 2012 £'000	Audited 2011 £'000
Loss before tax	**(9,774)**	(11,742)
Adjustments for:		
Finance income	**(5)**	(16)
Finance costs	**1,287**	1,870
Share based payments	**1,143**	(200)
Depreciation	**463**	343
Amortisation of intangible assets	**4,738**	3,064
Impairment charges (note 3)	**1,849**	669
(Profit) / loss on disposal of intangible assets	**(197)**	54
(Decrease)/Increase in provision for doubtful debts	**86**	(92)
Increase in provisions	**1,565**	29
Exchange losses/(gains)	**(562)**	194
	593	(5,827)
Changes in working capital		
Decrease/(increase) in inventories	**3,567**	(1,358)
(Increase) in receivables	**(3,769)**	(2,100)
Increase in payables	**1,121**	823
Net cash inflow/(outflow) from operations	**1,512**	(8,462)

15. 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.

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

	Fair value £'000
Intangible assets	22,108
Inventories	752
Trade and other receivables	975
Cash and cash equivalents	15
Trade and other payables	(942)
Deferred tax liabilities	(7,134)
Net assets acquired	**15,774**
Consideration	
Equity consideration	4,548
Value of existing licences purchased from ABT prior to acquisition	1,657
Cash consideration	16,703
Total consideration	**22,908**
Total costs less net assets acquired	**7,134**
Goodwill	**7,134**
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
Fair value adjustments in respect of intangible assets are recognised on acquisition due to the existence of trademarks, marketing authorisations and patents which are valued by applying the royalty relief method to the forecast cash flows that are expected to be generated by the assets.

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

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 non-contractual customer relationships of the acquired entity, which do not qualify for separate recognition; and a strategic premium: the Sinclair IS Pharma Board believes that the acquisition will increase Sinclair's presence in emerging markets providing greater ability to attract commercial partners.

If ABT had been acquired on 1 July 2011 additional revenue of £2.2million and a profit before tax of £1.3million would have been included in the consolidated income statement for the year ended 30 June 2012.