Sinclair IS Pharma plc

Sinclair IS Pharma plc (SPH.L), ("Sinclair IS" or the "Group") the international specialty pharma company, today announces its unaudited interim results for the six months ended 31 December 2012.

Financial Highlights

- **Revenues of £23.0 million** (H1 12: £23.4 million)
- **Like-for-like ('LFL')[1] revenues increased by 4.5%**
- **Adjusted EBITDA[2] increased by 47% to £1.0 million** (H1 12: £0.7 million)
- **Adjusted loss before tax[3] of £0.4 million** (H1 12: loss of £0.6 million)
- **Loss after tax of £5.2 million** (H1 12: loss of £5.2 million)

Operating Highlights

- Portfolio strengthened further with long term distribution deal for Sculptra® and New-Fill® and sub-distribution for Succeev® from Valeant in Western Europe
- Strong growth maintained in international business +18% LFL with Asia +72% LFL
- Strong growth in focus dermatology brands:
    - Kelo-cote® +30%LFL
    - Papulex® +34% LFL
    - Bio-Taches® +36%LFL
- Country operations decline 4% LFL as Variquel® and Cryogesic® sales disappoint
- Signed exclusive distribution agreements with Quintiles for Mexico and Biocodex for Russia, Turkey and Benelux in the period

Post Period Highlights

- Announced new debt facility providing £9.0 million in new capital for future business development opportunities
- cMulti product agreement signed with Menarini for Italy and Spain

Chris Spooner, CEO of Sinclair IS Pharma commented *"There is momentum and focus in the business. Our core dermatology franchise is performing well in both Europe and Emerging Markets. It's still early days with Sculptra, but the initial signs are strongly positive and augur well for our European business. Away from dermatology, European growth was tarnished by price and product competition in our hospital products portfolio. Nevertheless, Group profitability is ahead of budget with good H2 visibility. The product launch schedule remains strong and focused on our leading brands, while Business Development remains very active with further distribution deals likely in the second half".*

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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Notes to Editors:

About Sinclair IS Pharma plc – www.sinclairispharma.com
Sinclair IS Pharma is an international specialty pharmaceutical company centred on Dermatology, in particular Aesthetics, Wound care, and Skin care. The group has a direct sales and marketing presence in the top five European markets and a rapidly growing International division concentrated on the Emerging Markets through long term multi-product, multi-country, sales, marketing and distribution deals with key strategic partners.

"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 acquisitions and disposals, one-off licence fee income and currency fluctuations) grew by 4.5% during the first half. International operations, which are focused on the Group's enlarged Dermatology portfolio, enjoyed another strong performance with LFL revenues growing by 18%. Country operations revenues declined by 4% on a LFL basis, primarily due to increased competition for Variquel® and Cryogesic®. The background to European prescription pharma sales remains pressured, particularly for reimbursed medicine. A key element of the Sinclair IS strategy is to sell products where the Group can set prices, reducing exposure to government controlled pricing. For the last financial year reimbursed products fell below 50% of total revenues, and for the period just ended, has further declined to 45% of revenues.

The Group continued to allocate significant resources to brand development in Dermatology notably through investment in sales and marketing, where growth in spending again outstripped revenue growth. Spend is focused with around 80% of the sales and marketing budget allocated to the top six products, with around 60% to the top three. In our view these differentiated products already possess strong brand equity and a weight of supportive clinical evidence, responding readily to increased investment. That said, the Board believes that the sales and marketing spend is now at an effective level and therefore the level of investment as a proportion of Group sales is peaking.

EBITDA* for the first half increased 47% to £1.0 million, reflecting increasing operational leverage in the International business and careful management of costs in central functions. The strong seasonality in our business due to the timing of autumn marketing campaigns and lower shipments in the summer holiday months subdue H1 margins resulting in a disproportionately lower first half EBITDA.

At the end of September 2012 the Group extended its presence in aesthetic dermatology by signing a 100 year Western Europe distribution agreement with Valeant Pharmaceuticals International Inc. for Sculptra®, New-Fill® and Succeev®, for an upfront consideration of €9.0 million. Sculptra is a highly differentiated collagen stimulator with both medical and aesthetic uses, and complements scar management brand Kelo-cote®. The acquisition fits the Sinclair strategy of acquiring and transforming underperforming brands, in this case through the introduction of a revised physician training programme and active marketing campaigns. The products were launched in January 2013 throughout Western Europe.

Business Review

Revenue from Country Operations (leading five EU markets) was £13.8 million, £3.7 million below last year due to lower sales of Variquel® and Cryogesic® and other factors as set out in the finance review. This has been offset by a strong performance in International Operations which at £9.2 million is £3.6 million up on last year and represented 40% of total sales in the period.

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

Revenues from Variquel® and Cryogesic® were down by a combined £1.4 million in the period compared with the prior year, affecting the performance in the UK and Germany in particular. Generic competition for Cryogesic® in the UK lead to a 51%LFL decline in revenues in the period. Variquel® revenues declined by 36%LFL to £1.5 million as a result of adverse ordering patterns, increased price competition and customers switching from Sinclair IS's powder presentation to a ready mixed solution sold by competitors. Approval was recently granted for a generic version of Variquel® in Europe increasing the likelihood of further competition in the coming months. The Group continues to expand the geographic reach of the product, signing two important new distribution agreements for the product in the period, and continues to discuss further opportunities in the important Asian market. Additionally, the Group also anticipates approval of its application for a ready mix solution around the middle of the year which will increase the market potential for the product in Europe.

The table below summarises the performance in absolute terms and on a LFL basis for each of our regions.

	2012 £'m	2011 £'m	LFL %
France	**5.1**	6.0	-8%
UK	**3.7**	6.1	-12%
Germany	**1.7**	2.5	-17%
Spain	**1.4**	1.3	24%
Italy	**1.9**	1.6	30%
Country operations	**13.8**	17.5	-4.0%
Asia	**3.3**	0.9	72%
MENA	**3.0**	2.7	21%
Americas, N&E Europe	**2.9**	2.1	-7%
International	**9.2**	5.7	18.9%
Other	**0.0**	0.2	n/a
	23.0	23.4	4.5%

Country operations

Country operations are made up of Sinclair IS's core 5 EU markets where we retain a direct proprietary sales presence. Revenues declined by 4% LFL during the first half. Continued strong growth in the Group's Dermatology brands was masked by the performance of Variquel® and Cryogesic®. Dermatology brands in Country Operations grew 4.3% LFL, accelerating from 1.5% LFL growth for the year to June 2012. This reflected the underlying growth characteristics of our core brands supplemented by the benefit of focused sales and marketing spend. In Aesthetic Dermatology, Kelo-cote®, the topical solution gel for scar management, grew 18% LFL with particularly strong performances in France and Germany.

Revenue in France was impacted by Euro strength, accounting for a 9% reduction in reported sales in the period. Underlying revenues declined at 8% primarily caused by a de-stocking by wholesalers at the end of December. Kelo-cote® continues to perform well (+18% LFL) and this together with the successful recent launches of Sculptra® and the Sebclair® Kit (combination of cream and shampoo) combined with the expected launch of Aloclair® provides confidence for a stronger showing in H2.

Performance in both the UK and Germany was impacted by Variquel® and Cryogesic®. Excluding these products, the UK grew by 18% LFL in the period with Kelo-cote® sales progressing and Aloxi® back to growth (+5% LFL). German underlying growth ex Variquel® was 12% LFL again as a result of a strong performance by Kelo-cote®.

In Spain and Italy, Aloclair® recovered from FY12 supply problems driving both territories to healthy LFL growth of 24% and 30% respectively. In Spain, Flammazine® sales also remain strong following the price increase in 2012 with sales up 2% LFL in the period.

Sculptra® and its related products have now been fully integrated into the Sinclair IS infrastructure. Product is jointly sourced with Valeant's US operations, and Sinclair IS has implemented Valeant's US training programme protocols for its own sales forces. The Group has added a small team of dedicated Aesthetic Dermatology specialists to its existing infrastructure providing full physician education, on-going support and the ability to absorb further aesthetics acquisitions as they arise. Product launches have coincided with representation at key industry events, notably IMCAS 2013 in Paris, the leading annual congress for plastic surgeons and dermatologists. Sculptra® is expected to make a material contribution to Country operations' H2 revenues.

International operations

International Operations grew 18.9% LFL driven by Emerging Markets. Asian sales improved 72% LFL as the roll out of Sinclair IS products by Menarini Asia gathered momentum. Kelo-cote® increased 84% with notable growth in China and South Korea, and Glyderm (stretch marks) was launched by Menarini Asia. Papulex® built on last year's strong launch with sales more than doubling in the period, including a successful launch in Australia.

Middle East, Turkey and Africa also performed well with 21%LFL growth. Bio-Taches® (+41% LFL), the Group's leading product in this region benefited from recent product line extensions. Kelo-cote® (+90% LFL) was helped from a low base by recent launches. Variquel® distribution was extended to the MENA region through a ten year agreement with Albaytmedical covering 11 countries including Algeria, Morocco, Egypt and Saudi Arabia.

In the Americas, North and Eastern Europe, revenues grew £0.8 million to £2.9 million but declined by 7% LFL as a result of the timing of Kelo-cote® deliveries in Brazil. The Group signed a new distribution agreement with Biocodex for Russia, Turkey, Morocco and Benelux. This adds to the recent collaboration with Quintiles in Mexico where launches of Atopiclair®, Sebclair® and Bio-Taches® are on schedule for H2. The Group is expected to announce further distribution deals across the international business in the second half of the year.

Financial Review

Revenue for the first half of £23.0 million is 1.9% below the £23.4 million reported for the same period last year. However EBITDA increased 47% to £1.0 million predominantly due to an improved gross margin.

Headline revenues were reduced due to three factors:

1. Prior year revenue included £2.5 million from products which were subsequently disposed.
2. Weaker Euro (70% of Group revenues were in Euros which was 9% weaker versus Sterling).
3. Sales of Variquel® and Cryogesic® declined by £1.4 million compared with the prior year.

The leading revenue drivers were the Kelo-cote® franchise +£3.2 million to £4.0 million as the ABT acquisition occurred in December 2011, but importantly +30% LFL, and Aloclair® (+44% to £1.9 million, +56% LFL) as supply issues from the prior year were resolved.

Selling, marketing and distribution costs were unchanged at £7.8 million (34% of revenues) although underlying spend has increased in local currency terms. Pre-exceptional administrative expenses were also little changed at £8.4 million (+2.6%) with no significant increases in absolute spend forecast over the medium term.

Exceptional costs of £3.1 million include a £2.5 million non-cash impairment charge against the fair value of the Cryogesic® trademark. Generic competition has significantly lowered average prices resulting in reduced sales and margins. The impairment charge results in a tax credit of £0.6 million as the deferred tax liability linked to the intangible asset is reduced. Other exceptional charges of £0.6 million arise from restructuring costs incurred in the period.

Finance costs of £0.7 million (H1 12: £0.6 million) include a non-cash charge of £0.4 million from costs expensed as a result of entering into the new debt facility in December 2012. These costs were being amortised from the old facility that has now been repaid in full and so are expensed in the period. There is also a £0.2 million foreign exchange gain arising on the value of US Dollar denominated debt.

Cash flow and net debt

There was a £0.5 million cash outflow from operations in the period, compared with a break even position in the same period last year. The outflow was due to a £0.6 million increase in inventories which is expected to reverse in H2. Cash flow from operations is expected to improve strongly for the full year with trading performance strongly weighted towards H2 and with the addition of Sculptra® revenues.

The Group raised £8.8 million (net of expenses) through the issue of new shares to institutional shareholders at the end of September 2012 for the £7.6 million acquisition of product rights from Valeant. £0.4 million was received from the sale of non-core products with further disposals expected in H2.

Cash and cash equivalents were £2.9 million at 31 December 2012 and net debt was £8.7 million, reduced from £9.1 million at 30 June 2012 and representing 1.7x annualised EBITDA. The new debt facility agreed in December 2012 is for an overall £23.6 million, including £13.6 million to re-finance existing debt, a £9.0 million acquisition facility and £1.0 million revolving credit facility. This new facility provides capital for future business development opportunities.

Summary and Outlook

The Group has continued to focus on the leading brands in its core Dermatology business, most recently through the 100 year licence for Sculptra®. Co-promotion deals in Europe and new strategic International partners combine to enhance the group's growth prospects not just in Emerging Markets but also in Europe. The board expects LFL revenue growth to accelerate again in the second half towards high single digit for the full year and the trading performance to benefit from the increasing operating leverage in the business.

Unaudited Consolidated Income Statement
For the six months ended 31 December 2012

	Notes	Unaudited Six months ended 31 December 2012 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000	Unaudited Six months ended 31 December 2011 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000
Revenue	4	**22,950**	**-**	**22,950**	23,399	-	23,399
Cost of sales		**(8,789)**	**(58)**	**(8,847)**	(9,797)	(442)	(10,239)
Gross profit/(loss)		**14,161**	**(58)**	**14,103**	13,602	(442)	13,160
Selling, marketing and distribution costs		**(7,762)**	**-**	**(7,762)**	(7,809)	-	(7,809)
Administrative expenses		**(8,358)**	**(3,040)**	**(11,398)**	(8,147)	(2,207)	(10,354)
Operating loss		**(1,959)**	**(3,098)**	**(5,057)**	(2,354)	(2,649)	(5,003)
Finance income	6	**183**	**-**	**183**	6	-	6
Finance costs	6	**(902)**	**-**	**(902)**	(562)	-	(562)
Loss before taxation		**(2,678)**	**(3,098)**	**(5,776)**	(2,910)	(2,649)	(5,559)
Taxation		**74**	**519**	**593**	359	-	359
Loss for the period		**(2,604)**	**(2,579)**	**(5,183)**	(2,551)	(2,649)	(5,200)
Loss per share (basic and diluted)	7			**(1.2)p**			(1.4)p

Unaudited Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2012

	Unaudited Six months ended 31 December 2012 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000	Unaudited Six months ended 31 December 2011 Pre-exceptional items £'000	Exceptional items (note 5) £'000	Total £'000
Loss for the period	**(2,604)**	**(2,579)**	**(5,183)**	(2,551)	(2,649)	(5,200)
Other comprehensive income						
Currency translation differences	**(591)**	**-**	**(591)**	(4,601)	-	(4,601)
Total comprehensive income for the period	**(3,195)**	**(2,579)**	**(5,774)**	(7,152)	(2,649)	(9,801)

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 2012

	Notes	**Unaudited 31 December 2012 £'000**	Unaudited 31 December 2011 £'000	Audited 30 June 2012 £'000
Non-current assets				
Goodwill	8	**64,724**	58,961	64,765
Intangible assets	9	**67,164**	67,841	64,860
Property, plant and equipment		**701**	2,271	842
Deferred tax assets		**4,814**	4,809	4,806
Other financial assets	10	**151**	1,573	128
		137,554	135,455	135,401
Current assets				
Inventories		**6,504**	8,670	5,833
Trade and other receivables	11	**14,610**	12,968	16,781
Other financial assets	10	**-**	1,794	-
Cash and cash equivalents		**2,876**	4,430	4,036
		23,990	27,862	26,650
Assets held for resale		**214**	-	425
Total assets		**161,758**	163,317	162,476
Current liabilities				
Borrowings	13	**(3,415)**	(3,814)	(3,118)
Trade and other payables	12	**(14,634)**	(15,011)	(15,740)
Other financial liabilities	14	**(454)**	(2,401)	(494)
Current tax liabilities		**(472)**	(341)	(738)
Provisions		**(1,619)**	(480)	(370)
		(20,594)	(22,047)	(20,460)
Non-current liabilities				
Borrowings	13	**(8,129)**	(11,114)	(9,984)
Other financial liabilities	14	**(1,805)**	(2,541)	(1,706)
Deferred tax liabilities		**(12,378)**	(7,191)	(13,293)
Other non-current liabilities		**(953)**	(368)	(707)
Provisions		**(99)**	(688)	(2,048)
		(23,364)	(21,902)	(27,738)
Total liabilities		**(43,958)**	(43,949)	(48,198)
Net assets		**117,800**	119,368	114,278
Equity				
Share capital		**4,349**	4,009	4,026
Share premium account		**67,274**	58,752	58,727
Merger reserve		**97,141**	96,772	97,141
Other reserves		**2,938**	5,938	3,529
Retained deficit		**(53,902)**	(46,103)	(49,145)
Total equity		**117,800**	119,368	114,278

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 2012

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other Reserves £'000	Retained deficit £'000	Total equity £'000
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 comprehensive income/(expense) for the period	-	-	-	(4,601)	(5,200)	(9,801)
Share based payments	-	-	-	-	744	744
Share issue expenses	-	(36)	-	-	-	(36)
Share capital issued - Acquisition	200	-	4,348	-	-	4,548
Balance at 31 December 2011 (unaudited)	**4,009**	**58,752**	**96,772**	**5,938**	**(46,103)**	**119,368**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(2,409)	-	(2,409)
Loss for the period	-	-	-	-	(3,441)	(3,441)
Total comprehensive expense for the period	-	-	-	(2,409)	(3,441)	(5,850)
Share based payments	-	-	-	-	399	399
Options and warrants exercised	1	-	-	-	-	1
Share capital issued – Deferred consideration	16	-	369	-	-	385
Share issue expenses	-	(25)	-	-	-	(25)
Balance at 30 June 2012 (audited)	**4,026**	**58,727**	**97,141**	**3,529**	**(49,145)**	**114,278**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(591)	-	(591)
Loss for the period	-	-	-	-	(5,183)	(5,183)
Total comprehensive expense for the period	-	-	-	(591)	(5,183)	(5,774)
Share based payments	-	-	-	-	426	426
Share issue expenses	-	(184)	-	-	-	(184)
Share capital issued	323	8,731	-	-	-	9,054
Balance at 31 December 2012 (unaudited)	**4,349**	**67,274**	**97,141**	**2,938**	**(53,902)**	**117,800**

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 2012

	Notes	**Six months ended 31 December 2012 £'000**	Six months ended 31 December 2011 £'000
Net cash outflow from operations	16	**(473)**	(38)
Interest paid		**(416)**	(482)
Interest paid on finance leases		**(2)**	(2)
Taxation (paid)/repaid		**(485)**	437
Net cash used in operating activities		**(1,376)**	(85)
Investing activities			
Interest received		**-**	6
Purchases of property, plant and equipment		**(33)**	(245)
Purchase of intangible assets		**(7,642)**	(509)
Proceeds from the sale of intangible assets		**448**	11,075
Payment of deferred consideration		**-**	(1,284)
Acquisition of subsidiary undertaking, net of cash acquired		**-**	(16,688)
Net cash used in investing activities		**(7,227)**	(7,645)
Financing activities			
Repayments of obligations under finance leases		**-**	(7)
Proceeds from borrowings		**154**	6,500
Repayments of borrowings		**(1,531)**	(1,218)
Proceeds from issue of share capital		**8,820**	-
Release from restricted deposits held as other financial assets		**-**	1,972
Net cash from financing activities		**7,443**	7,247
Net (decrease) in cash and cash equivalents		**(1,160)**	(483)
Cash and cash equivalents at 1 July		**4,036**	4,784
Cash and equivalents at end of period		**2,876**	4,301
Cash and cash equivalents includes:			
Cash and cash equivalents		**2,876**	4,430
Bank overdrafts		**-**	(129)
Cash and cash equivalents		**2,876**	4,301

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 2012 were approved by the board of Directors on 8 October 2012 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 12 February 2013.

2. Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 31 December 2012 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 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

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 2012, as described in those annual financial statements.

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

- IFRS 13, 'Fair value measurement'(effective Annual periods beginning on or after 1 January 2013)
- Annual improvements 2011(effective Annual periods beginning on or after 1 January 2013)

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

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on transfers of assets (effective 1 July 2011).
- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation (effective 1 July 2011).
- Amendment to IAS 12, 'Income taxes', on deferred tax (effective 1 January 2012).

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 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 in the Group since the period ended 31 December 2011.

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

4. Segment information - continued

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, exceptional items and share based payments (Adjusted EBITDA).

December 2012

Operating Segments	**France**	**Italy**	**Germany**	**United Kingdom**	**Spain**	**Country Operations**	**International operations**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	**5,040**	**1,914**	**1,733**	**3,718**	**1,394**	**13,799**	**9,151**	**-**	**22,950**
Cost of goods sold	**(1,953)**	**(735)**	**(450)**	**(1,272)**	**(666)**	**(5,076)**	**(3,713)**	**-**	**(8,789)**
Gross Profit	**3,087**	**1,179**	**1,283**	**2,446**	**728**	**8,723**	**5,438**	**-**	**14,161**
Adjusted EBITDA	**283**	**412**	**381**	**514**	**(196)**	**1,394**	**3,108**	**(3,533)**	**969**

December 2011

Operating Segments	France	Italy	Germany	United Kingdom	Spain	Country Operations	International operations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	6,005	1,633	2,513	6,085	1,292	17,528	5,640	231	23,399
Cost of goods sold	(2,446)	(685)	(743)	(1,991)	(534)	(6,399)	(2,943)	(455)	(9,797)
Gross Profit	3,559	948	1,770	4,094	758	11,129	2,697	(224)	13,602
Adjusted EBITDA	338	(140)	1,009	2,078	19	3,304	926	(3,571)	659

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

	Six months ended 31 December 2012	Six months ended 31 December 2011
	£'000	£'000
Adjusted EBITDA for reportable segments	**969**	659
Depreciation	**(180)**	(246)
Amortisation	**(2,322)**	(2,267)
Exceptional items	**(3,098)**	(2,649)
Share based payments	**(426)**	(500)
Operating loss	**(5,057)**	(5,003)

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 2012 £'000	Six months ended 31 December 2011 £'000
Restructuring costs	**(572)**	(1,757)
Cost of sales – Release of fair valuation uplift in acquired inventories	**(58)**	(442)
Impairment of intangible assets	**(2,468)**	-
Acquisition costs	**-**	(659)
Profits on disposal	**-**	209
	(3,098)	(2,649)

Restructuring costs of £572,000 (2011: £1,757,000) include severances paid to employees in order to achieve organisation efficiencies and a contract termination fee incurred to return certain product rights. The restructuring expense in 2011 followed 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 included non-cash costs of £244,000 relating to share based payments.

Exceptional cost of sales of £58,000 are the pass through of the fair value uplift applied at acquisition to the carrying value of the inventory acquired with acquisitions of Advanced Bio Technologies Inc. in December 2011. The fair value uplift is expensed as the inventory is sold to the market. £442,000 in 2011 was the pass through of the fair value of the inventory acquired with the acquisition of the IS Pharma Group.

Impairment charges of £2,468,000 have been made to the Cryogesic trademark included with intangible assets and acquired as part of the acquisition of IS Pharma Group. New entrants in the market have resulted in declining sales and a reduction in average prices. The Directors have re-assessed forecast sales and gross margins and as a result of the reduced cash flows, have recorded an impairment against the value of the trademark.

Acquisition costs of £659,000 in 2011 included 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 in 2011 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 was the consideration net of the carrying value of the asset disposed and associated legal costs incurred.

6. Finance income and costs

	Six months ended 31 December 2012 £'000	Six months ended 31 December 2011 £'000
Interest on bank loans and overdrafts	**(363)**	(352)
Imputed interest on deferred consideration	**(67)**	(175)
Write off of arrangement fee arising from terminated loan facilities	**(415)**	-
Other finance charges	**(57)**	(35)
Finance costs	**(902)**	(562)
Net foreign exchange gain on financing activities	**181**	-
Other interest income	**2**	6
Finance income	**183**	6
Net finance expense	**(719)**	(556)

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 2012	Six months ended 31 December 2011
Basic and diluted EPS		
Loss attributable to equity shareholders (£'000)	**(5,183)**	(5,200)
Weighted average number of shares	**419,059,296**	382,131,659
Diluted weighted average number of shares	**419,059,296**	382,131,659
Loss per share (Basic and diluted)	**(1.2)p**	(1.4)p

7. Loss per share – continued

Adjusted loss per share has been calculated by adding back exceptional charges and amortisation of intangible assets to the loss for the year together with deferred tax movements linked to these items, resulting in an adjusted loss for the year.

	Six months Ended 31 December 2012	Six months ended 31 December 2011
Adjusted loss attributable to equity shareholders (£'000)	**(678)**	(763)
Adjusted loss per share basic and diluted (pence)	**(0.2p)**	(0.2p)

A reconciliation of adjusted loss is as follows:

	Six months Ended 31 December 2012 £'000	Six months ended 31 December 2011 £'000
Loss for the period	**(5,183)**	(5,200)
Amortisation	**2,322**	2,267
Exceptional items	**3,098**	2,649
Deferred tax credits on amortisation and exceptional items	**(915)**	(479)
Adjusted loss for the period	**(678)**	(763)

8. Goodwill

	31 December 2012 £'000	31 December 2011 £'000	30 June 2012 £'000
Cost			
At 1 July	**67,644**	64,776	64,776
Additions through business combinations	**-**	-	7,134
Exchange adjustments	**(41)**	(2,936)	(4,266)
At period end	**67,603**	61,840	67,644
Accumulated amortisation and impairment			
At 1 July and period end	**2,879**	2,879	2,879
Net book value at period end	**64,724**	58,961	64,765

9. Intangible assets

	31 December 2012 £'000	31 December 2011 £'000	30 June 2012 £'000
Cost			
At 1 July	**86,688**	80,304	80,304
Additions	**7,910**	509	1,238
Additions arising on business combinations	**-**	19,871	20,451
Disposals	**-**	(12,235)	(12,420)
Transfers to assets held for sale	**(214)**	-	(425)
Exchange adjustments	**(497)**	(1,390)	(2,460)
At period end	**93,887**	87,059	86,688
Amortisation and impairment			
At 1 July	**21,828**	18,589	18,589
Charge for the period/year	**2,322**	2,267	4,738
Disposals	**-**	(1,103)	(1,458)
Impairment charge	**2,468**	-	947
Exchange adjustments	**105**	(535)	(988)
At period end	**26,723**	19,218	21,828
Net book value at period end	**67,164**	67,841	64,860

Additions in the period include the €9.0m paid to Valeant Pharmaceutical North America LLC, for the 100 year distribution agreement for Sculptra, New-fill & Suceev in Western Europe. These intangible assets will be amortised on a straight line basis over 20 years in line with accounting policy.

10. Other financial assets

Other financial assets of £151,000 are made up of rent deposits. In December 2011, other current financial assets of £1,794,000 and amounts included in other non-current financial assets of £1,444,000 comprised restricted cash deposits held at Clydesdale Bank under the terms of the Group's debt facility. These balances were released into cash in February 2012 when overseas bank debt was repaid and certain other financial liabilities were settled.

11. Trade and other receivables

	31 December 2012 £'000	31 December 2011 £'000	30 June 2012 £'000
Trade receivables	**11,693**	10,024	15,023
Less provision for impairment of trade receivables	**(448)**	(196)	(279)
Trade receivables-net	**11,245**	9,828	14,744
Other receivables	**1,378**	1,531	888
Current tax receivables	**34**	7	99
Prepayments and accrued income	**1,953**	1,602	1,050
	14,610	12,968	16,781

12. Trade and other payables

	31 December 2012 £'000	31 December 2011 £'000	30 June 2012 £'000
Trade payables	**8,464**	8,769	9,037
Other taxes and social security costs	**527**	964	940
Other payables	**830**	1,521	1,301
Accruals and deferred income	**4,813**	3,757	4,462
	14,634	15,011	15,740

13. Borrowings

	31 December 2012 £'000	31 December 2011 £'000	30 June 2012 £'000
Bank loans	**8,077**	11,057	9,933
Finance lease liabilities	**52**	57	51
Non-current borrowings	**8,129**	11,114	9,984
Obligations under finance leases	**15**	15	18
Bank overdrafts	**-**	129	-
Bank loans	**3,400**	3,670	3,100
Current borrowings	**3,415**	3,814	3,118
Total borrowings	**11,544**	14,928	13,102
Borrowings included above are repayable as follows:			
On demand or within one year	**3,415**	3,814	3,118
Over one and under two years	**3,415**	3,376	3,118
Over two and under five years	**4,714**	7,738	6,866
Total borrowings	**11,544**	14,928	13,102

During the 6 months ending 31 December 2012, the existing bank facilities were replaced with a new term loan facility with Clydesdale Bank of which £11.9m has been drawn and remains outstanding at 31 December 2012. This includes a drawdown denominated in dollars of $8.2m (£5.0m). The total facility is for £23.6m (including a £1.0m revolving credit facility and borrowing facility up to £22.6m) was arranged in December 2012 and expires on 31 December 2016. Interest is charged at LIBOR plus 3.25%, and interest over two thirds of the amount drawn down is capped at 4.75% through an interest rate cap. Direct issue costs of £440,000 have been offset against the gross liability. Repayments are scheduled to be made in equal instalments of £850,000 every three months and a final settlement payment at the expiry of this facility. Drawings under this facility are secured by a debenture over all the Group's assets.

As a consequence of this arrangement the term loan facility previously in place with Clydesdale Bank was terminated and direct issue costs related to this facility of £415,000 were written off through other finance charges.

14. Other financial liabilities

Other financial liabilities include deferred purchase consideration due as follows:

	31 December 2012 £'000	31 December 2011 £'000	30 June 2012 £'000
Current	**454**	2,401	494
Non-current	**1,805**	2,541	1,706
	2,259	4,942	2,200

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 2011 other financial liabilities included in non-current other financial liabilities is deferred contingent consideration liabilities relating to the acquisition of Cranage Healthcare Limited (£331,000).

15. Contingent liabilities

The Directors are aware of certain potential legal claims against the Group, which the Directors believe can be successfully defended and therefore require no provision.

16. Cash flow from operating activities

	Six months ended 31 December 2012 £'000	Six months ended 31 December 2011 £'000
Loss before tax	**(5,776)**	(5,559)
Adjustments for:		
Finance income	**(183)**	(6)
Finance costs	**902**	562
Share based payments	**426**	744
Depreciation	**180**	246
Amortisation of intangible assets	**2,322**	2,267
Impairment charges	**2,468**	-
Profit on disposal of intangible assets	**(23)**	(209)
Increase in provision for doubtful debts	**-**	3
Increase in provisions	**-**	428
Exchange gains/(losses)	**4**	(441)
	320	(1,965)
Changes in working capital (excluding effects of acquisitions)		
(Increase)/decrease in inventories	**(632)**	1,183
Decrease in receivables	**2,136**	2,418
Decrease in payables	**(2,297)**	(1,674)
Net cash outflow from operations	**(473)**	(38)

17. Related party transactions

During the period ended 31 December 2012, the remuneration committee approved the payment of a £100,000 fee to Mr R S Swanson, non-executive director, in respect of his services assisting the Group in entering into the long-term distribution agreement with Valeant. This fee was settled via the issue of 188,850 new ordinary 1p shares in the company.

Mr Swanson also acquired 750,000 ordinary 1p shares on 19 December 2012 and now holds 4,197,854 ordinary shares, representing 0.97% of the issued share capital of the company.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group remain unchanged from those set out on page 12 of the Annual Report and Accounts for the year ended 30 June 2012, available from the Group's website at www.sinclairispharma.com. These include but are not limited to: general market competition affecting product revenues, the inherent uncertainty of product development and the highly regulated nature of the pharmaceutical industry; and the risks associated with managing an intellectual property portfolio.

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 J-C Tschudin	Non-executive Director
Mr R S Swanson	Non-executive Director

By order of the Board

CP Spooner
Chief Executive Officer

G Cook
Chairman

12 February 2013

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 2012, 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.

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 2012 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.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
12 February 2013

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.