Sinclair IS Pharma plc

Interim Results

Sinclair IS Pharma plc (SPH.L), ("Sinclair" or the "Group") the international specialty pharma company, today announces its unaudited half year results for the six months ended 31 December 2014.

Highlights

- **Revenues increased by 31% to £32.0 million (37% growth at constant currency)**
- **Aesthetic brands performing strongly and represent 43% of revenue in the period**
- **Silhouette growth rate exceeds 100% in final quarter versus Q4 2013**
- **Flammacerium US NDA expected H1 2016 with possible launch in H1 2017**
- **Adjusted EBITDA[1] increased 200% to £3.3 million (H1 FY14: £1.1 million)**
- **Loss before tax of £10.8 million (H1 FY14: £2.5 million) due to £7.7 million increase in finance charges arising from FY14 acquisitions**
- **Net debt at 31 December 2014 of £44.2 million**

Chris Spooner, CEO commented *"Sinclair is positioned as a mixed aesthetic and medicinal dermatology business, but with the bulk of growth expected to come from higher margin aesthetics. H1 FY15 saw strong growth in aesthetic sales in Europe which were partly offset by a weaker Euro and political difficulties in Russia. However accelerating growth towards the end of the period, in-market demand and demand for training give us confidence in a strong H2 performance. Additionally, geographical expansion, and anticipated product approvals point to further attractive growth opportunities in the medium term. Non-aesthetics growth at 9% LfL[2] in H1 FY15 was strong but expected to be lower for the full year. Growth trends in aesthetics combined with manufacturing efficiency improvements point to a sharp uptick in second half gross margins while the benefit of continued operating leverage is expected to maintain a continued improvement in EBITDA margin trends".*

1 Adjusted EBITDA defined as earnings before interest, tax, depreciation, amortisation, share based payments and long term incentives and exceptional items.
2 LfL defined as constant currency and excluding product disposals

Ends

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Sinclair's management team will discuss the Company's results on a conference call for analysts today at 9.30am. Please contact the Company for details.

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.

BUSINESS REVIEW

The Group performed well in the first half and in line with the Board's expectations, delivering revenue growth of 31% (37% on a constant currency basis) and a 200% increase in Adjusted EBITDA* to £3.3 million. As in previous years the Board expects a strong performance in revenues for the second half which is supported by recent trends seen in the aesthetic portfolio and the seasonality of aesthetic products. The Group also benefits from good visibility on orders from international partners which provides additional confidence in the outlook for a strong second half.

Aesthetic revenues increased to £13.7 million in the first half (H1 FY14: £6.0 million) as a result of strong performances from each of the recently acquired brands Silhouette, Perfectha and Ellansé. Silhouette revenues were £2.7 million in the period representing growth of 52% (at constant currency) over the same period in 2013, pre-acquisition. Sales trends across these brands in recent months have been particularly encouraging. The *Worldwide Experts Meeting*, a two day physician-paid congress organised by Prof Javier de Benito held in Barcelona in October 2014 focused on Silhouette and was attended by almost 1,300 plastic surgeons, dermatologists and aesthetic dermatologists. Silhouette sales growth accelerated to 109% in Q4 2014 compared to the prior year period. Perfectha revenues were £3.7 million in the first half with strong demand seen in both European and International markets. Ellansé contributed sales of £1.8 million in the period where a notably strong start in Europe was offset by a weak performance in South Korea. Kelo-cote sales were flat at £3.1 million in the period reflecting stocking patterns, although in-market growth remains strong, particularly in China (+27%).

Non aesthetic sales grew 9% on a like-for-like basis (constant currency and excluding disposals) during the period. The Group's skin care portfolio recorded growth in revenues to £8.9 million in the period, up from £8.2 million in the same period last year. 21% like-for-like growth was driven by the continued growth of Kelo-stretch in with revenues increasing to £1.7 million from £0.5 million. Wound care revenues declined to £5.0 million from £5.6 million largely as a result of the weaker Euro. Flammazine revenues at £3.4 million were down by £0.2 million on a constant currency basis due to stocking patterns in certain markets. Aloclair delivered sales of £1.6 million, unchanged on a constant currency basis. Revenue from non-dermatology products declined to £4.5 million in the first half, down from £4.7 million in H1 FY14 as a result of the disposal of Cryogesic completed on 1 July 2014. Within this segment, Haemopressin recorded growth of 6% to £1.9 million for the period as a result of a strong performance in the UK where additional NHS tenders have been won, offset by a continuing weak pricing environment in Germany where price and margin erosion continues.

Country Operations

Revenue in country operations grew to £17.7 million in the period (55% of total revenue for the period) from £16.6 million in H1 FY14. Aesthetic revenues grew strongly to £6.0 million in the period from £3.6 million in H1 FY14 and made up 34% of country operations revenues for the first half.

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

The first half saw significant investment in setting up practitioner training and education programs for Silhouette and Ellansé and the integration of distribution for Silhouette from local partners into Sinclair. Direct promotion of Silhouette started in the UK from July and in France from September. More recently negotiations have been concluded with local partners enabling Sinclair to take control of promotion of Silhouette in Germany and Spain with effect from January 2015. Silhouette generates the highest level of interest from physicians and so it has been important to take direct control of the product in our core markets in order to maximise cross selling opportunities with the other aesthetic brands in the Group's portfolio. As part of our commitment to focus heavily on physician training a total of 199 training workshops were carried out in Europe for the Group's aesthetic portfolio in the period. The Company believes that physician training is both essential and the rate-limiting step for the growth of both Silhouette and Ellansé. Over 1300 physicians have been trained to date and the very strong level of interest for both products means that European training programmes are currently booked for the next several months.

Investment in sales, marketing and training has seen a dramatic increase in the number of active users of Sinclair products in the period. For Perfectha registered users in Western Europe increased by over 120% from around 450 in June 2014 to over 1,000 by December 2014 which helped drive sales of the product to £0.8 million in Europe for the first half, up from just £0.2 million in the same period last year, pre-acquisition. For Ellansé, where Sinclair's new marketing and training programmes were launched from September, the number of active users has since doubled to over 400, with H1 revenues more than doubled to £0.5 million. These trends on our key brands augur well for the key aesthetic selling season which comes in the second half of the financial year.

International Operations

International operations revenues grew to £14.3 million in the period (45% of total revenue for the period) from £7.8 million in H1 FY14. Each of the acquired aesthetic products is making a major contribution to this growth with Perfectha delivering revenue of £2.9 million in the period with good sales in South Korea, Russia and Brazil. Despite no Russian approval, Silhouette revenues reached £1.3 million in the period. Revenues from Ellansé were also £1.3 million and adversely impacted by a reduction of overstocked in-market inventories prior to Sinclair's ownership which has resulted in a difficult transition in this market. Aesthetic sales overall accounted for 53.5% of total sales in international operations in the period.

As in Europe, Sinclair is in the process of revamping Aesthetics training and marketing activities in conjunction with its partners. Sinclair has targeted China as a market to deliver substantial growth over the medium term. Aesthetics is a well-developed industry in China although there is so far limited penetration of non-domestic brands. The filing of Perfectha is already underway for a possible launch as early as mid-2016, through our partner in that territory.

The Group saw continued growth in the skin care products during the period - Atopiclair (+91% to £1.0 million), Papulex (+48% to £0.7 million) and Kelostretch (+298% to £1.5 million) mainly driven by partner Menarini which continues to invest heavily in SE Asia sales and marketing activities, and more recently through launches in Mexico via partner Farmpiel. The Company remains optimistic for the continued strong growth of these brands.

The political situation in Russia and the consequent devaluation of the Rouble continue to provide headwinds to the international business as we head into the second half of the year. At the time of acquisition, the approval of Silhouette in Russia was anticipated in Q1 FY15 but this did not happen

due to political factors and there is now considerable uncertainty in the current environment around when this can be achieved. While the Company still expects Russia to become a valuable market for the Silhouette, revenues are not anticipated in the current financial year. Devaluation of the Rouble, civil war in the Ukraine and economic uncertainty in Russia has also had a significant impact on our partners for Perfectha and Ellansé. Sinclair has suffered margin erosion in the near term in order to maintain the position of these products in the important Russian market.

Development

In July 2014 the vendors of Silhouette filed a 510(k) application with the FDA for Silhouette Instalift in the US. The Company is informed by the vendors that the application review by the FDA has resulted in a small amount of additional clinical work. As a result the vendors now expect approval in Q4 FY15.

Sinclair recently held a pre-IND meeting with FDA and is now targeting an NDA 505(b)(2) submission for Flammacerium in H1 2016 ahead of a possible launch in H1 2017. The Company intends to submit predominantly existing European clinical data supplemented by additional US data which is planned to be generated during the next few months. On the basis that Flammacerium is designated as an Orphan Drug by FDA for the *'treatment of patients with severe dermal burns'*, the Company plans to seek an accelerated review by FDA of the NDA submission. The Company believes there are 5,000-25,000 serious burns per year in the US excluding potential use for military and civil defence stockpiling. In addition, Sinclair intends to pursue Orphan Drug designations for Flammacerium in other key territories.

European regulatory filings for Perfectha Lidocaine and Ellansé Lidocaine are anticipated in Q4 2015.The regulatory filing for Aloclair Ultra will be completed in the current quarter with CE Mark approval anticipated in mid-2015 and US approval approximately 12 months later. Sinclair believes the 6-7hrs duration of activity is a key improvement over currently available therapies including Aloclair Plus.

Merial anticipates a near-term launch of a canine oral health product incorporating delmopinol and has high expectations for its success. Sinclair will receive an undisclosed royalty for the use and supply of the compound which is expected to have meaningful benefit to the Group income statement beyond FY16.

Financial Review

Revenue for the first half increased by 31% (and 37% on a constant currency basis) to £32.0 million (H1 FY14: £24.5 million) largely as a result of the contributions from Silhouette, Ellansé and Perfectha which were all acquired in the second half of the year to 30 June 2014 and therefore made no contribution to the comparative period. EBITDA grew 200% to £3.3 million (H1 FY14: £1.1 million) representing an EBITDA margin of 10.3% for the seasonally weaker half of the financial year, significantly ahead of the 4.3% EBITDA margin in the same period last year as the benefits of operating leverage continue to be demonstrated. Where possible, Sinclair seeks to hedge its FX exposure by matching Euro, Sterling and US Dollar revenues and costs. While Euro weakness adversely impacts sales to a greater extent than EBITDA, it is not possible to fully hedge the EBITDA impact with around two-thirds of revenues expected to be Euro denominated in FY15.

Gross profits grew by 28.5% to £17.8 million from £13.9 million in 2013 although gross margins were slightly reduced at 55.5% (H1 FY14: 56.6%). In mid-2014 the Company initiated optimisation efforts

of the Perfectha bi-phasic HA manufacturing process to facilitate production scale-up and efficiency, and to improve yields ahead of an expected growth in future demand for the product. The cost of this initiative reduced Group gross margin by almost 2% points during the first half. More recently, process optimisation and improved yields are rapidly restoring gross profitability with cost per unit on track to reach target during Q4 FY15. The Group also saw continued strong growth in low margin Kelo-stretch in the period with sales reaching £1.7 million (H1 FY14: £0.5 million). The Kelo-stretch gross margin is expected to 'normalise' during the next two years since under the terms of the Menarini distribution agreement, Sinclair will begin to receive royalties on Kelo-stretch sales from May 2015.

With strong forecast growth in higher margin aesthetic brands expected in the second half boosted by declining Perfectha and Silhouette cost of goods, the Board remains confident of a sharp gross margin improvement in H2 FY15.

Selling, marketing and distribution costs increased by 16.7% to £9.0 million in the first half (H1 FY14: £7.7 million) as a result of increased marketing and training investment targeted at Silhouette and Ellansé. The benefits of greater critical mass in aesthetics are now clearly being seen as the ratio of sales and marketing spend to revenue declined to 28.1% in the period from 31.5% in H1 FY14.

Underlying cash administration costs increased by just £0.5 million in the period reflecting the infrastructure that was already in place being capable of supporting the larger Group. On a reported basis administrative expenses have increased by 39% to £11.7 million due to £2.7 million non-cash charges for depreciation, amortisation and share based payments. Costs (excluding non-cash charges) reduced as a percentage of revenue from 20.8% in H1 FY14 to 17.0%.

There are no exceptional items in the period (H1 FY14: credit of £0.2 million) as all acquisition expenses and acquisition related restructuring and integration costs were incurred in the year to 30 June 2014.

Finance costs increased to £7.9 million in the period, up from £0.2 million in H1 FY14. This includes interest payable on borrowings of £2.6 million (H1 FY14: £0.3 million) reflecting the full impact of the increased borrowings taken on in the second half of last year. In addition finance costs include non-cash charges for the unwinding of discounting applied to deferred consideration amounting to £4.3 million (H1 FY14: £0.1 million) in the period; and FX losses of £0.8 million (H1 FY14: gain of £0.3 million) arising on the re-translation of US Dollar and Euro denominated borrowings at the period end rates.

There were no losses from discontinued operations recorded in the period (H1 FY14: £1.0 million) as all costs associated with the closure of the Group's manufacturing facility in France were recorded in the year to 30 June 2014.

Loss for the period increased to £10.7 million (H1 FY14: £3.4 million) as a result of the higher finance charges set out above. This resulted in a loss per share of 2.1p for the period, increased from 0.8p in H1 FY14.

Cash flow and net debt

Cash outflow from operations reduced to £1.3 million in the period from £3.1 million outflow in the same period last year. The improving cash flow coming as a result of the increase in EBITDA in the

first half and an end to cash outflows from discontinued operations which amounted to £1.3 million in H1 FY14.

Interest payments in the period amounted to £2.7 million (H1 FY14: £0.3 million) while cash inflows from disposals of £1.3 million more than offset capital payments of £1.2 million. The Group also repaid £1.0 million in borrowings to Hayfin in the period representing the annual capital repayment that is linked to cash generation in the previous financial year. The next cash generation linked capital payment is scheduled for Q4 2015 after publication of the Group's results for the year ended 30 June 2015.

Net cash outflow in the period of £5.1 million resulted in a cash balance of £13.4 million at 31 December 2014. Gross borrowings stood at £57.6 million at 31 December 2014 meaning net debt was £44.2 million, slightly up from the £40.2 million at 30 June 2014 and representing 3.5x EBITDA on a pro forma basis (including EBITDA from acquisitions for the full year). Leverage has increased in the period, in-line with the Board's expectations, as a result of the seasonally weak cash flows in the first half of the financial year and from investment in the newly acquired brands which had not previously been actively supported in Europe. With stronger trading anticipated in the second half leading to further improved cash, the Board is confident that leverage will reduce in-line with its expectations during 2015.

Outlook

H1 FY15 was an extremely busy period for Sinclair with the integration of three significant acquisitions and the revamping of sales teams, training, education and marketing programmes. The Company is pleased to report that revenue, in-market uptake and operational trends in the Group's aesthetic portfolio remain strong and are very encouraging. Training courses are fully booked and physician interest in the Group's aesthetics portfolio at industry congresses continues to be very high. In addition to the current trends, multiple product and geographical opportunities point to sustainable strong growth despite a weaker Euro. Non aesthetics growth in H1 FY15 was above trend but is expected to return to a stable low-growth trend for FY15 and beyond.

Both gross and EBITDA margin improvement is expected to be strong for H2 FY15 and beyond. Gross margin is likely to improve sharply in the short term as aesthetics manufacturing costs decline combined with a trend of improving sales mix. Operational leverage which has been increasingly evident in recent periods is expected to continue as revenues grow. The Board therefore expects a strong H2 performance although factors including the weak Euro and ongoing difficulties encountered in Russia with Silhouette will have an impact on the outcome for FY15 as whole.

Strategic Review

Following the announcement of the strategic review and commencement of an offer period on 25 November 2014, the Company has engaged in preliminary discussions with various parties. A number of these parties are willing to explore further some form of co-operation, including but not limited to merger and acquisition opportunities, licensing of products or development collaborations.

Based on the positive preliminary assessment of market interest, the Board has decided to continue evaluating the best route to realise shareholder value which may, or may not, include the sale of all or part of the Company. The Board continues to believe that Sinclair has a secure future as an independent business and will act to support the Company's significant growth potential.

Unaudited Consolidated Income Statement

For the six months ended 31 December 2014

	Notes	Unaudited Six months ended 31 December 2014 Pre-exceptional items £'000	Exceptional items (note 8) £'000	Total £'000	Unaudited Six months ended 31 December 2013 Pre-exceptional items £'000	Exceptional items (note 8) £'000	Total £'000
Continuing operations							
Revenue	7	**32,042**	**-**	**32,042**	24,461	-	24,461
Cost of sales		**(14,247)**	**-**	**(14,247)**	(10,608)	-	(10,608)
Gross profit		**17,795**	**-**	**17,795**	13,853	-	13,853
Selling, marketing and distribution costs		**(8,998)**	**-**	**(8,998)**	(7,709)	-	(7,709)
Administrative expenses		**(11,737)**	**-**	**(11,737)**	(8,678)	212	(8,466)
Operating (loss)/profit		**(2,940)**	**-**	**(2,940)**	(2,534)	212	(2,322)
Finance costs	10	**(7,857)**	**-**	**(7,857)**	(177)	-	(177)
(Loss)/profit before taxation		**(10,797)**	**-**	**(10,797)**	(2,711)	212	(2,499)
Taxation	12	**122**	**-**	**122**	143	-	143
(Loss)/profit for the period from continuing operations		**(10,675)**	**-**	**(10,675)**	(2,568)	212	(2,356)
Discontinued operations	9						
Loss for the period from discontinued operations		-	-	-	-	-	(1,044)
Loss for the period		**(10,675)**	**-**	**(10,675)**	(2,568)	212	(3,400)
Loss per share (basic and diluted)	11						
From continuing operations				**(2.1)p**			(0.5)p
From discontinued operations				**-**			(0.2)p
From loss for the period				**(2.1)p**			(0.8)p

Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2014

	Unaudited Six months ended 31 December 2014 £'000	Unaudited Six months ended 31 December 2013 £'000
Loss for the period	**(10,675)**	(3,400)
Other comprehensive income/(expense)		
Currency translation differences	**3,247**	(5,104)
	(7,428)	(8,504)
From discontinued operations	**-**	(1,044)
From continuing operations	**(7,428)**	(7,460)
Total comprehensive expense for the period	**(7,428)**	(8,504)

The notes on pages 12 to 29 form an integral part of this condensed consolidated half-yearly financial information.

Unaudited Consolidated Balance Sheet
As at 31 December 2014

	Notes	**Unaudited 31 December 2014 £'000**	Unaudited 31 December 2013 £'000	Audited 30 June 2014 £'000
Non-current assets				
Goodwill	13	**130,457**	60,666	127,306
Intangible assets	14	**116,025**	53,665	114,235
Property, plant and equipment	15	**1,526**	573	1,399
Deferred tax assets		**3,661**	3,923	3,847
Other financial assets		**182**	152	163
		251,851	118,979	246,950
Current assets				
Inventories		**8,534**	5,250	7,599
Trade and other receivables	16	**25,310**	19,581	29,537
Cash and cash equivalents		**13,425**	813	17,532
		47,269	25,644	54,668
Assets held for resale		**-**	-	1,100
Total assets		**299,120**	144,623	302,718
Current liabilities				
Borrowings	18	**(1,438)**	(3,411)	(1,240)
Trade and other payables	17	**(18,992)**	(18,330)	(26,264)
Other financial liabilities	19	**(16,251)**	(443)	(14,635)
Current tax liabilities		**(747)**	(245)	(558)
Provisions		**(171)**	(861)	(178)
		(37,599)	(23,290)	(42,875)
Non-current liabilities				
Borrowings	18	**(52,945)**	(6,454)	(53,319)
Other financial liabilities	19	**(69,513)**	(1,708)	(61,567)
Deferred tax liabilities		**(27,666)**	(10,629)	(27,040)
		(150,124)	(18,791)	(141,926)
Total liabilities		**(187,723)**	(42,081)	(184,801)
Net assets		**111,397**	102,542	117,917
Equity				
Share capital		**4,974**	4,349	4,974
Share premium account		**86,128**	67,242	86,137
Merger reserve		**97,141**	97,141	97,141
Other reserves		**3,074**	2,587	(173)
Retained deficit		**(79,920)**	(68,777)	(70,162)
Total equity		**111,397**	102,542	117,917

The notes on pages 12 to 29 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 2014

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other Reserves £'000	Retained deficit £'000	Total equity £'000
Balance at 30 June 2013 (audited)	**4,349**	**67,242**	**97,141**	**7,691**	**(65,882)**	**110,541**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(5,104)	-	(5,104)
Loss for the period	-	-	-	-	(3,400)	(3,400)
Total comprehensive expense for the period	-	-	-	(5,104)	(3,400)	(8,504)
Share based payments	-	-	-	-	505	505
Balance at 31 December 2013 (unaudited)	**4,349**	**67,242**	**97,141**	**2,587**	**(68,777)**	**102,542**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	(2,736)	-	(2,736)
Loss for the period	-	-	-	-	(1,901)	(1,901)
Total comprehensive expense for the period	-	-	-	(2,736)	(1,901)	(4,637)
Share based payments	-	-	-	-	492	492
Share capital issued	625	19,375	-	-	-	20,000
Share issue expenses	-	(480)	-	-	-	(480)
Transfer on lapse of warrants	-	-	-	(24)	24	-
Balance at 30 June 2014 (audited)	**4,974**	**86,137**	**97,141**	**(173)**	**(70,162)**	**117,917**
Exchange differences arising on translation of overseas subsidiaries	-	-	-	3,247	-	3,247
Loss for the period	-	-	-	-	(10,675)	(10,675)
Total comprehensive income/(expense) for the period	-	-	-	3,247	(10,675)	(7,428)
Share based payments	-	-	-	-	917	917
Share issue expenses	-	(9)	-	-	-	(9)
Balance at 31 December 2014 (unaudited)	**4,974**	**86,128**	**97,141**	**3,074**	**(79,920)**	**111,397**

The notes on pages 12 to 29 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 2014

	Notes	**Six months ended 31 December 2014 £'000**	Six months ended 31 December 2013 £'000
Net cash outflow from operating activities including discontinued operations	22	**(1,318)**	(3,065)
Interest paid		**(2,748)**	(312)
Taxation (paid)/received		**(166)**	18
Net cash used in operating activities		**(4,232)**	(3,359)
Investing activities			
Purchases of property, plant and equipment		**(306)**	(10)
Purchase of intangible assets		**(583)**	(176)
Proceeds from the sale of intangible assets		**1,330**	997
Payment of deferred consideration		**(162)**	-
Acquisition of subsidiary undertakings, net of cash acquired		**(145)**	-
Net cash generated from investing activities		**134**	811
Financing activities			
Repayments of borrowings		**(973)**	(1,700)
Net cash from financing activities		**(973)**	(1,700)
Net decrease in cash and cash equivalents		**(5,071)**	(4,248)
Cash and cash equivalents at 1 July		**17,532**	5,061
Exchange gain on cash and bank overdrafts		**964**	-
Cash and equivalents at end of period		**13,425**	813

The notes on pages 12 to 29 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

Sinclair IS Pharma plc (the 'Company') is an international speciality pharmaceutical company focused on Dermatology, in particular – Aesthetics, Wound care, and Skin care. The Group has a direct sales presence and marketing presence in the top five European markets and a rapidly growing international division concentrated on key emerging markets through long-term multi-product and multi-country sales, marketing and distribution deals with key strategic partners.

The Company is a public limited company which is listed on the AIM market of the London Stock Exchange, 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 2014 were approved by the board of Directors on 19 October 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

This condensed consolidated half-yearly financial information has been reviewed, not audited and was approved for issue on 17 February 2015.

2. Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 31 December 2014 has been prepared in accordance with the Disclosures and Transparency Rules of the Financial Conduct Authority (previously 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 2014, 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 2014, as described in those annual financial statements.

Amendments to existing standards and interpretations that are relevant to the Group's operations but have had no impact:

- IFRIC 21, 'Levies' covering the interpretation of IAS 37 and the recognition criteria for any liability to pay a levy
- *IFRS 10, 'Consolidated financial statements'*
- *IAS 27 (revised 2011) 'Separate financial statements'*
- *Amendment to IAS 36 'Impairment of assets' on recoverable amount disclosures*
- *Annual improvements 2012 affecting Share-based payments, Business Combinations, Operating segments, Fair value measurement, Property, plant and equipment*
- *Annual improvements 2013 affecting Business Combinations, and Fair value measurement*

Amendments to existing standards that are effective for annual periods beginning on or after 1 January 2018 which have not been early adopted:

- IFRS 9 'Financial Instruments'
- Amendments to IFRS 9 'Financial instruments' regarding general hedge accounting

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss, ignoring other timing differences which may occur between now and the year end.

4. Financial risk management

The group's activities expose it to a variety of financial risks: credit risk, price risk, and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 30 June 2014.

There have been no changes in any risk management policies since the year end.

Liquidity risk

Compared to 30 June 2014, there was no material change in the contractual undiscounted cash out flows for financial liabilities. The estimated timing of certain regulatory milestones payable when approval for the Silhouette Soft product is achieved has changed and as a consequence $4million has been delayed until the year end 30 June 2017.

Fair value estimation

The Group analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate caps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The interest rate cap is included in Level 2 and the contingent consideration in Level 3.

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total** **£'000**
Assets				
Financial assets at fair value through the profit or loss				
- Interest rate cap	-	122	-	**122**
Liabilities				
Financial liabilities at fair value through the profit or loss				
- Contingent consideration from business combinations	-	-	77,469	**77,469**

4. Financial risk management continued

The following table presents the group's financial assets and liabilities that are measured at fair value at 30 June 2014.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Financial assets at fair value through the profit or loss				
- Interest rate cap	-	248	-	248
Liabilities				
Financial liabilities at fair value through the profit or loss				
- Contingent consideration from business combinations	-	-	68,272	68,272

The following table presents the changes in Level 3 instruments for the period ended 31 December 2014:

	Contingent consideration in a business combination
As at 1 July 2014	68,272
Acquisitions	3,307
Gains and losses recognised in profit or loss within finance costs	4,009
Adjustments to the timing of future payments	(1,561)
Settlements	(162)
Foreign exchange movements	3,604
Closing balance	**77,469**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	4,009

There were no assets and liabilities measured at fair value at 31 December 2013.

There were no transfers between levels 1, 2, or 3 during the period

There were no changes in valuation techniques during the period.

See note 21 for disclosure of the measurement of the contingent consideration

5. Estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported values of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2014.

Taxes on income in the period are accrued using the tax rate that would be applicable to expected total annual profit or loss.

6. Seasonality of operations

Due to the ordering patterns of the customer base, higher underlying revenues and operating profits are usually experienced in the second half of the year than the first half. In financial year ended 30 June 2014, 38% of revenues accumulated in the first half of the year, with 62% accumulating in the second half of the year.

7. Segment information

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

The executive management team considers the business as being organised into the following reportable operating segments; Country Operations (including the Group's operations in France, Italy, Germany, UK and Spain) where the Group has its proprietary sales infrastructure, and International Operations where the Group sells through local distributors. 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 2014 continuing operations

Operating Segments	**France**	**Italy**	**Germany**	**United Kingdom**	**Spain**	**Country Operations**	**International operations**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	**6,009**	**2,646**	**1,774**	**4,904**	**2,366**	**17,699**	**14,343**	**-**	**32,042**
Cost of goods sold	**(2,665)**	**(1,323)**	**(583)**	**(1,620)**	**(1,174)**	**(7,365)**	**(6,882)**	**-**	**(14,247)**
Gross Profit	**3,344**	**1,323**	**1,191**	**3,284**	**1,192**	**10,334**	**7,461**	**-**	**17,795**
Adjusted EBITDA	**861**	**647**	**44**	**1,966**	**347**	**3,865**	**3,412**	**(3,948)**	**3,329**

December 2013 continuing operations

Operating Segments	France	Italy	Germany	United Kingdom	Spain	Country Operations	International operations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	5,787	2,445	2,359	4,400	1,644	16,635	7,826	-	24,461
Cost of goods sold	(2,439)	(1,379)	(791)	(1,483)	(876)	(6,968)	(3,640)	-	(10,608)
Gross Profit	3,348	1,066	1,568	2,917	768	9,667	4,186	-	13,853
Adjusted EBITDA	552	381	341	1,427	(158)	2,543	1,980	(3,461)	1,062

7. Segment information continued

The executive management team also monitors business performance based on product categories. Revenues by product categories were as follows:

Continuing operations	**Six months ended 31 December 2014 £'000**	Six months ended 31 December 2013 £'000
Aesthetic Care	**13,675**	5,967
Skin Care	**8,860**	8,159
Wound Care	**4,987**	5,649
Non-Dermatology	**4,520**	4,686
Total Revenue	**32,042**	24,461

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

	Six months ended 31 December 2014 £'000	Six months ended 31 December 2013 £'000
Adjusted EBITDA for reportable segments	**3,329**	1,062
Depreciation	**(232)**	(83)
Amortisation	**(4,896)**	(2,558)
Exceptional items (note 8)	**-**	212
Share based payments and long term incentive payments	**(1,141)**	(955)
Operating loss	**(2,940)**	(2,322)

8. 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 current period, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

	Six months ended 31 December 2014 £'000	Six months ended 31 December 2013 £'000
Restructuring costs	-	(139)
Acquisition costs	-	(290)
Profits on disposal on intangible assets	-	641
	-	212

There were no exceptional items in the period.

In 2013, restructuring costs of £139,000 included severances paid to employees in order to achieve organisation efficiencies.

Acquisition costs of £290,000 in 2013 included legal and professional expenses incurred in relation to the acquisition of the global rights to Perfectha through the acquisition of Obvieline Laboratories SA which was completed on 3 January 2014.

Profits on disposal on intangible assets of £641,000 were generated in 2013 from the disposal of Effederm by the Group to Laboratoires Bailleul International for a total consideration of €1,010,000 (£854,000) in October 2013. The profit on disposal represents the consideration net of the carrying value of the asset less costs of disposal.

9. Discontinued operations

On 30 June 2013 the Group closed its only manufacturing facility at Cléry in France and outsourced its manufacturing arrangements. The Directors expect to make significant cost savings through the outsourcing of these manufacturing arrangements to its manufacturing partners.

In the period ending 31 December 2013, a loss of £1,044,000 was recognised as the costs of discontinued operations.

There was no income or expense incurred from these operations in the current period.

	2014 **£'000s**	2013 £'000s
Revenue	-	1,274
Cost of sales	-	(1,447)
Gross loss	-	(173)
Administrative expenses	-	(871)
Operating loss	-	(1,044)
Loss before taxation		(1,044)
Taxation	-	-
Loss for the period from discontinued operations	-	**(1,044)**

The cash outflow from discontinued operations is disclosed in note 22. There were no cash flows from investing or financing activities.

10. Finance costs

	Six months ended 31 December 2014 **£'000**	Six months ended 31 December 2013 £'000
Interest on loans	**(2,639)**	(324)
Discount unwind on deferred consideration	**(4,273)**	(135)
Other finance charges	**(129)**	(36)
Net foreign exchange (loss)/gain on financing activities	**(816)**	318
Total	**(7,857)**	(177)

11. 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.

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 a loss is not dilutive.

	Six months ended 31 December 2014	Six months ended 31 December 2013
Basic and diluted EPS		
Loss attributable to equity shareholders (£'000)	**(10,675)**	(3,400)
Weighted average number of shares	**496,983,706**	434,483,706
Diluted weighted average number of shares	**496,983,706**	434,483,706
Basic and diluted loss per share (pence)	**(2.1)p**	(0.8)p
From continuing activities		
Loss from continuing activities	**(10,675)**	(2,356)
Basic and diluted loss per share (pence) from continuing activities	**(2.1)p**	(0.5)p
From discontinued activities		
Loss from discontinued activities	**-**	(1,044)
Basic and diluted loss per share (pence) from discontinuing activities	**-**	(0.2)p

Adjusted loss per share

A reconciliation of adjusted loss per share is as follows:

	Six months ended 31 December 2014 £'000	Six months ended 31 December 2013 £'000
Loss for the period	**(10,675)**	(3,400)
Amortisation of acquired licenses	**4,619**	2,568
Exceptional items (note 8)	**-**	(212)
Discount unwind on deferred consideration	**4,273**	135
Discontinued activities	**-**	1,044
Deferred tax credits on amortisation and exceptional items	**(706)**	(301)
Adjusted loss for the period	**(2,489)**	(166)
Adjusted loss per share basic and diluted (pence)	**(0.5)p**	(0.1p)

12. Taxation

The current tax credit of £122,000 (31 December 13 £143,000) includes

- £294,000 Corporation tax charges (31 December 13 £47,000 credit) arising from profits in certain subsidiaries during the first half of the year;
- a £684,000 credit (31 December 13 £301,000 credit) from the amortisation of deferred tax liabilities arising from business combinations; and
- a £268,000 charge (31 December 13 £205,000 charge) from the amortisation of deferred tax assets recognised in respect of historic tax losses.

13. Goodwill

	31 December 2014 £'000	31 December 2013 £'000	30 June 2014 £'000
Cost			
At 1 July	**133,862**	70,077	70,077
Additions	**1,486**	-	69,004
Adjustments to provisional goodwill	**(1,561)**	-	-
Disposals	**-**	(95)	(95)
Exchange adjustments	**3,226**	(2,760)	(5,124)
At period end	**137,013**	67,222	133,862
Accumulated amortisation and impairment			
At 1 July and at period end	**6,556**	6,556	6,556
Net book value at period end	**130,457**	60,666	127,306

Additions in the period ended December 2014 comprise the excess consideration paid over the fair value of assets acquired on the purchase of Arkea BV (note 21). The goodwill acquisition has not yet been allocated to a Cash Generating Unit because the accounting for the business combination is still provisional.

During the year ended 30 June 2014, the company acquired Obvieline SAS, Aqtis Medical BV, and Silhouette Lift SL. The goodwill valuations for Aqtis Medical BV, and Silhouette Lift Inc remain provisional. Adjustments to provisional goodwill have been made following changes in the directors' estimates to the timing of certain milestone payments included within contingent consideration.

Exchange adjustments arise as a result of the impact of the difference in the Sterling: Euro exchange rate and the Sterling: US Dollar exchange rate, at the beginning of the year or the date of acquisition and at 31 December on balances recorded in Euros and US Dollars.

14. Intangible assets

	31 December 2014 £'000	31 December 2013 £'000	30 June 2014 £'000
Cost			
At 1 July	**155,123**	96,401	96,401
Additions	**912**	263	5,031
Additions arising on business combinations	**2,579**	-	62,106
Disposals	**(14)**	(338)	(40)
Transfers to assets held for sale	**-**	-	(3,602)
Exchange adjustments	**2,870**	(2,080)	(4,773)
At period end	**161,470**	94,246	155,123
Amortisation and impairment			
At 1 July	**40,888**	38,560	38,560
Charge for the period/year	**4,896**	2,568	6,186
Disposals	**-**	(194)	-
Transfer to assets held for sale	**-**	-	(2,502)
Impairment charge	**-**	-	(394)
Exchange adjustments	**(339)**	(353)	(962)
At period end	**45,445**	40,581	40,888
Net book value at period end	**116,025**	53,665	114,235

15. Property, plant and equipment

	31 December 2014 £'000	31 December 2013 £'000	30 June 2014 £'000
Cost			
At 1 July	**3,777**	2,601	2,601
Additions	**394**	161	321
Additions arising on business combinations	**-**	-	1,505
Disposals	**-**	-	(569)
Exchange adjustments	**(64)**	(45)	(81)
At period end	**4,107**	2,717	3,777
Amortisation and impairment			
At 1 July	**2,378**	2,101	2,101
Charge for the period/year	**232**	83	299
Disposals	**-**	-	(569)
Additions arising on business combinations	**-**	-	585
Exchange adjustments	**(29)**	(40)	(38)
At period end	**2,581**	2,113	2,378
Net book value at period end	**1,526**	573	1,399

16. Trade and other receivables

	31 December 2014 £'000	31 December 2013 £'000	30 June 2014 £'000
Trade receivables	**19,349**	15,993	24,510
Less provision for impairment of trade receivables	**(403)**	(196)	(383)
Trade receivables-net	**18,946**	15,797	24,127
Other receivables	**2,652**	1,336	2,311
Prepayments and accrued income	**3,712**	2,448	3,099
	25,310	19,581	29,537

17. Trade and other payables

	31 December 2014 £'000	31 December 2013 £'000	30 June 2014 £'000
Trade payables	**9,281**	7,740	14,621
Other taxes and social security costs	**688**	1, 226	724
Other payables	**950**	2,312	1,116
Accruals and deferred income	**8,073**	7,052	9,803
	18,992	18,330	26,264

18. Borrowings

	31 December 2014 £'000	31 December 2013 £'000	30 June 2014 £'000
Loans	**52,945**	6,427	53,319
Finance lease liabilities	**-**	27	-
Non-current borrowings	**52,945**	6,454	53,319
Obligations under finance leases	**20**	11	21
Loans	**1,418**	3,400	1,219
Current borrowings	**1,438**	3,411	1,240
Total borrowings	**54,383**	9,865	54,559
Borrowings included above are repayable as follows:			
On demand or within one year	**1,438**	3,411	1,240
Over one and under two years	**-**	3,411	3,112
Over two and under five years	**52,945**	3,043	50,207
Total borrowings	**54,383**	9,865	54,559

On 3 January 2014 the Group entered into a new term loan and revolving credit facility with Hayfin Capital Management Group ('Hayfin') and consequently the Group's existing loan facility with Clydesdale Bank plc was repaid in full. Drawings under the Hayfin facility amount to £57.6m and were used to fund the acquisitions of Obvieline SAS, AQTIS Medical BV, and Silhouette Lift SL, repay existing borrowings, and to meet borrowing issuing expenses and the costs of acquisition.

18. Borrowings continued

Movements in borrowings are analysed as follows:

Six months ended 31 December 2014	£'000
At 1 July 2014	**54,559**
Repayments of borrowings	**(973)**
Amortisation of prepaid arrangement fees	**(198)**
Direct issue costs	**179**
Exchange adjustments	**816**
At 31 December 2014	**54,383**

Six months ended 31 December 2013	
At 1 July 2013	11,918
Repayments of borrowings	(1,730)
Amortisation of prepaid arrangement fees	(12)
Exchange adjustments	(311)
At 31 December 2013	9,865

The carrying amounts of the group's borrowings are denominated in the following currencies:

	31 December 2014 £'000	31 December 2013 £'000	30 June 2014 £'000
GBP	**7,227**	6,663	8,149
EUR	**28,208**	3,202	29,127
USD	**18,948**	-	17,283
Total	**54,383**	9,865	54,559

Direct issue costs of £3,200,000 at 31 December 2014 have been offset against the gross liability and are being amortised over the remaining 4 year life of the facility.

Net foreign exchange losses of £816,000 arising from the difference in the Sterling: Euro and the Sterling: US Dollar exchange rates between 30 June 2014 and 31 December 2014, have been posted to net finance expenses.

The loan facility has been fully drawn and expires on 3 January 2019. A separate revolving credit facility with Barclays Bank plc of £3,000,000 is undrawn and available to the Group also until 3 January 2019.

Interest on the facility is initially charged at LIBOR + 8.0% but from 2 May 2015 will reduce to LIBOR +7.0% and then +5.50% when the ratio of debt to EBITDA drops below 3.20:1 and then 2.00:1. Interest payments are scheduled quarterly. Capital repayments, equivalent to 50% of the amount by which cash flows after debt service exceeds £500,000, will be paid within 130 days following the end of each financial year, starting from 30 June 2014. This resulted in a capital repayment of £973,000 being made in the period ended 31 December 2014. A final settlement payment will be made at the expiry of the facility.

Drawings under the facility are secured by a debenture over all the Group's assets.

19. Other financial liabilities

Other financial liabilities include deferred and contingent purchase consideration which is due as follows:

	31 December 2014 £'000	31 December 2013 £'000	30 June 2014 £'000
Obvieline SAS	**1,551**	-	1,601
Silhouette Lift SL	**13,935**	-	12,583
Other deferred and contingent consideration	**765**	443	451
Total Current	**16,251**	443	14,635
Obvieline SAS	**8,010**	-	8,267
Aqtis Medical BV	**29,525**	-	30,471
Silhouette Lift SL	**55,383**	-	50,581
Other deferred and contingent consideration	**11,245**	1,952	6,597
Total non-current	**104,163**	1,952	95,916
Discount	**(34,650)**	(244)	(34,349)
	85,764	2,151	76,202

The business combinations for Obvieline SAS, Aqtis Medical BV, and Silhouette Inc were completed in the year ended 30 June 2014. Items of deferred and contingent consideration represents the Director's estimate of the fair value of the assumed contractual minimum liabilities discounted to their present value using a discount rate of 11.5%, the Groups' estimated weighted average cost of capital.

Other includes:
Deferred consideration payable to the previous owner of SEPI AG (a Swiss subsidiary acquired by IS Pharma in April 2008) to which is payable to the original developers of Haemopressin in annual instalments until March 2017 reflecting royalties that are expected to be paid on future net revenue from Haemopressin. In 2013 this represented the total deferred consideration. On 31 December 2014 £450,000 is current, and £1,182,000 is non-current.

Contingent consideration payable to the former distributors of Silhouette in UK, France, and Switzerland which arises from the repurchase of distribution rights in those territories and also the acquisition of Arkea B.V. These are payable in annual instalments until November 2018 representing royalties payable on future net revenue from Silhouette in those territories. On 31 December 2014 £315,000 is current and £9,808,000 is non-current.

Other non-current liabilities of £113,000 arise from historic legal settlements.

19. Other financial liabilities continued

Deferred and contingent consideration is payable as follows:	**31 December 2014 £'000**	31 December 2013 £'000	30 June 2014 £'000
On demand or within one year	**16,251**	443	14,635
Over one and under two years	**33,033**	535	19,805
Over two and under five years	**60,992**	1,417	39,453
Over five years	**10,138**	-	36,658
Discount	**(34,650)**	(244)	(34,349)
Total other financial liabilities	**85,764**	2,151	76,202

20. Called-up share capital

Issued and fully paid Ordinary shares of 1p	**31 December 2014 £'000**	31 December 2013 £'000	30 June 2014 £'000
At 1 July	**497,414,733**	434,914,733	434,914,733
Shares issued for cash	**-**	-	62,500
At period end	**497,414,733**	434,914,733	497,414,733

21. Business combinations

Obvieline SAS

The Company acquired 100% of the issued share capital of Obvieline SAS, on 3 January 2014 from Pharmavital SA. In April 2014, the Group also completed the acquisition of distribution rights to Perfectha in Russia, Brazil and certain other territories from Pharmavital SA. Obvieline SAS owns the worldwide rights to Perfectha a range of hyaluronic acid based dermal fillers.

As a result of the acquisition, the Group expects to increase its presence in the global aesthetics market. The goodwill of £15,910,000 arising from the acquisition is attributable to the acquired customer base, and economies of scale expected from selling Perfectha directly through the Group's direct sales forces in Europe. None of the goodwill recognised is expected to be deductible for tax purposes.

Goodwill of £15,910,000 (30 June 2014 (provisional) £16,028,000) has been recalculated following changes in management's assumptions around the timing for payment of certain items of contingent consideration.

21. Business combinations continued

Details of the consideration paid, the revised discounted consideration payable, the fair value of assets acquired and liabilities assumed, and goodwill arising are as follows:

	£'000
Intangible assets	12,551
Property plant and equipment	287
Prepaid rent deposits	27
Inventories	985
Trade and other receivables (contractual)	319
Cash and cash equivalents	231
Trade and other payables	(1,812)
Deferred Tax liabilities	(4,142)
Net assets	**8,446**
Goodwill	15,910
Total consideration	**24,356**
Cash consideration	16,641
Deferred consideration	1,432
Contingent consideration	6,283
Total consideration transferred	**24,356**

21. Business combinations continued

Silhouette Lift SL

The Company acquired a controlling interest in Silhouette Lift SL on 2 May 2014. Silhouette Lift SL owns the worldwide rights to Silhouette Lift and Silhouette Soft, a range of collagen stimulating cones on threads complementary to the Group's aesthetic portfolio.

The acquisition was made in two steps with 75% of the shares purchased on 2 May 2014 and the remaining shares were transferred at a fixed price in January 2015. The payment for the remaining shares was also made on 2 May into an escrow account pending their transfer to the Group. These remaining shares did not carry voting rights and did not earn a dividend in the period from acquisition until transfer. Consequently the acquisition has been treated as a full business combination and there is no remaining minority interest.

Provisional goodwill of £33,725,000 (30 June 2014 £35,167,000) has been recalculated following changes in management's assumptions around the timing for payment of certain items of deferred and contingent consideration.

Details of the consideration paid, the revised discounted consideration payable, the provisional fair value of assets acquired and liabilities assumed, and goodwill arising are as follows:

	£'000
Intangible assets	31,936
Property plant and equipment	42
Inventories	184
Trade and other receivables (contractual)	933
Cash and cash equivalents	416
Trade and other payables	(702)
Deferred Tax liabilities	(9,581)
Net assets	**23,228**
Goodwill	33,725
Total consideration	**56,953**
Satisfied by:	
Cash consideration	12,857
Deferred consideration	1,230
Contingent consideration	42,866
Total consideration transferred	**56,953**

21. Business combinations continued

Arkea BV

The Company acquired 100% of the issued share capital of Arkea BV, on 21 November 2014. Arkea BV owns the exclusive distribution rights to Silhouette in France and Switzerland.

As a result of the acquisition, the Group expects to increase its control of the distribution of the Silhouette brand. The goodwill of £1,486,000 arising from the acquisition is attributable to the economies of scale expected from selling Silhouette directly through the Group's direct sales forces in France, and through partners in Switzerland, alongside the Group's existing aesthetic portfolio. Goodwill is not deductible for tax purposes.

Details of the consideration paid, the provisional fair value of assets acquired and liabilities assumed, and goodwill arising are as follows:

	£'000
Intangible assets	2,603
Trade and other receivables (contractual)	349
Cash and cash equivalents	12
Trade and other payables	(336)
Deferred Tax liabilities	(650)
Net assets	**1,978**
Goodwill	1,486
Total consideration	**3,464**
Satisfied by:	
Cash consideration	157
Contingent consideration	3,307
Total consideration transferred	**3,464**
Net cash outflow arising on acquisition	
Cash consideration	157
Less: cash and cash equivalent balances acquired	(12)
	145

Contingent consideration comprises;

- a royalty earned on Silhouette sales in France and Switzerland in the first four years of the agreement which is not expected to exceed €1.6m
- a one-off payment payable in year four, equivalent to a multiple of sales in France which is capped at €4.5m
- a one-off payment payable in year four which is equivalent to a multiple of sales in Switzerland and is capped at €0.8m.

21. Business combinations continued

The contracted amounts in local currency, and Sterling equivalent translated at the date of acquisition, are expected to be settled as follows:

	€'000s	£'000
Within one year	185	145
Over one and under two years	315	246
Over two years and under five years	5,822	4,559
Discount	(2,099)	(1,643)
Total contingent consideration	**4,223**	**3,307**

Contingent consideration included in the calculation of total consideration is calculated by discounting the contracted contingent consideration amounts in the table above to present value at the date of acquisition using a discount rate of 11.5%.

The minimum undiscounted future payment is €0m and the potential undiscounted amount of all further future payments that the Group could be required to make is up to €6.3m.

The fair value of the contingent consideration of £3.3m was estimated by applying the income approach. The fair value estimates are based on a discount rate of 11.5%, and assumed future growth in the Silhouette trade in France and Switzerland.

Arkea BV contributed £0.3m revenue and a profit of £0.1m to the Group's loss for period from the date of acquisition to 31 December 2014.

If Arkea BV had been acquired on 1 July 2014 additional revenue of £0.4m and a profit before tax of £0.2m would have been included in the group accounts.

22. Cash flow from operating activities

	Six months ended 31 December 2014	Six months ended 31 December 2013
	£'000	£'000
Continuing Operations		
Loss before tax	**(10,797)**	(2,499)
Adjustments for:		
Finance income	-	(318)
Finance costs	**7,857**	495
Share based payments	**1,141**	955
Depreciation	**232**	83
Amortisation of intangible assets	**4,896**	2,568
Profit on disposal of intangible assets	**(352)**	(830)
	2,977	454
Changes in working capital (excluding effects of acquisitions)		
Increase in inventories	**(930)**	(2,681)
Decrease in receivables	**4,755**	2,316
Decrease in payables	**(8,120)**	(1,881)
Net cash outflow from continuing operations	**(1,318)**	(1,792)
Discontinued operations		
Loss before tax	-	(1,044)
Adjustments for:		
Reduction in provisions	-	(519)
Changes in working capital		
Decrease/(increase) in inventories	-	173
Decrease in debtors	-	44
Increase in payables	-	73
Net cash out flow from discontinued operations	-	(1,273)
Net cash outflow from operations	**(1,318)**	(3,065)

23. Related party transactions

There were no related party transactions during the period. Key management received payroll payments totalling £636,206 (2013: 605,980).

24. Post balance sheet events

On 12 January 2015, the option to acquire the remaining 25% interest in Silhouette Lift SL was exercised resulting in the Group becoming the 100% shareholder in Silhouette. Cash consideration of £1,251,000 which had been held in escrow was released to the vendors as a result.

Principal risks and uncertainties

Sinclair IS Pharma plc is a business that depends on product revenues generated through its own sales force and marketing operations and marketing partners to achieve a successful pipeline to build future revenues. The Group's performance and future prospects may be affected by risks and uncertainties relating to our business environment. Our internal controls include a risk management process to identify key risks and, where possible, manage those risks through systems and processes and by implementing specific mitigation strategies.

The most significant identified risks that could materially affect the Group's ability to achieve its financial and operating objectives are summarised below.

Risk associated with commercialised success of products

The Group's revenues are, and will be, principally from sales of its products. There can be no assurance that current product revenues can be maintained or increased in the future. Product sales may be affected by adverse market conditions or other factors including: pricing pressures from governments or other authorities, competition from other products, the withdrawal of a product because of a regulatory or other reason, or the financial or commercial failure of a marketing partner. The Company spreads risk by commercialising its products throughout the global markets. The Company maintains adequate insurance to mitigate the risks associated with product recall.

Interruption to product supply

The Group relies on third-party manufacturers for the supply of the majority its products. Problems at manufacturers' facilities may lead to delays and disruptions in the supply chain which could have significant negative impact on the Group. The Group maintains a close dialogue with key suppliers and rigorously monitors inventory levels and customer demand to ensure that any interruption to product supply can be managed, and back up sources of supply are maintained where possible.

Product liability risk

The Group's products may produce unanticipated adverse side effects that may hinder their marketability. Sinclair maintains product liability insurance and operates quality systems relating to the manufacture of its products and a pharmacovigilance system to monitor safety of its marketed products.

Competition and intellectual property risk

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

Principal risks and uncertainties (continued)

Foreign exchange risk

The Group has transactional currency exposures as the majority of revenues and expenditures, certain borrowings and deferred consideration liabilities are in Euros and US Dollars. Fluctuations in exchange rates between Sterling and Euro and US Dollars could adversely impact financial results. Sinclair seeks to match currency receipts and expenditure as far as possible with borrowings and deferred consideration liabilities denominated in the functional currency of the underlying businesses acquired. The Group may also engage in short-term hedging transactions in order to hedge against changes in exchange rates during the financial year.

Risk that net cash inflows may be insufficient to meet long-term debt obligations

The Group has obligations under its borrowing facility with Hayfin Capital Management Group and the acquisition agreements for Obvieline, AQTIS and Silhouette Lift to make interest payments, capital repayments and meet deferred contingent consideration liabilities, which, if not met, could result in default under those agreements, potentially triggering cross-default under other agreements. Continued growth in sales of the recently acquired products (Perfectha®, Ellansé™ and Silhouette®) is key to the cash generative potential of the Group. While the Group has sufficient working capital for its present requirements, the ability of the Group to service its medium and long-term debt beyond 12 months is dependent on all factors which might affect the net cash generation including many of the factors set out in this risk section.

The Group regularly monitors its cash flow forecast, as well as reviewing the longer-term plans and prospects for repaying borrowings and deferred contingent consideration liabilities. As a result of these reviews, potential mitigating actions are identified well ahead of relevant payment dates so that debt can be renegotiated or refinanced where necessary.

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 these condensed set of interim 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 J Thompson	Non-executive Director (appointed 18 September 2014)
Mr R S Swanson	Non-executive Director (resigned 18 September 2014

By order of the Board

CP Spooner
Chief Executive Officer

G Cook
Chairman

17 February 2015

Independent review report to Sinclair IS Pharma plc

Introduction

We have been engaged by the company to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 31 December 2014, 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 statements 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 2014 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
Manchester
17 February 2015

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.